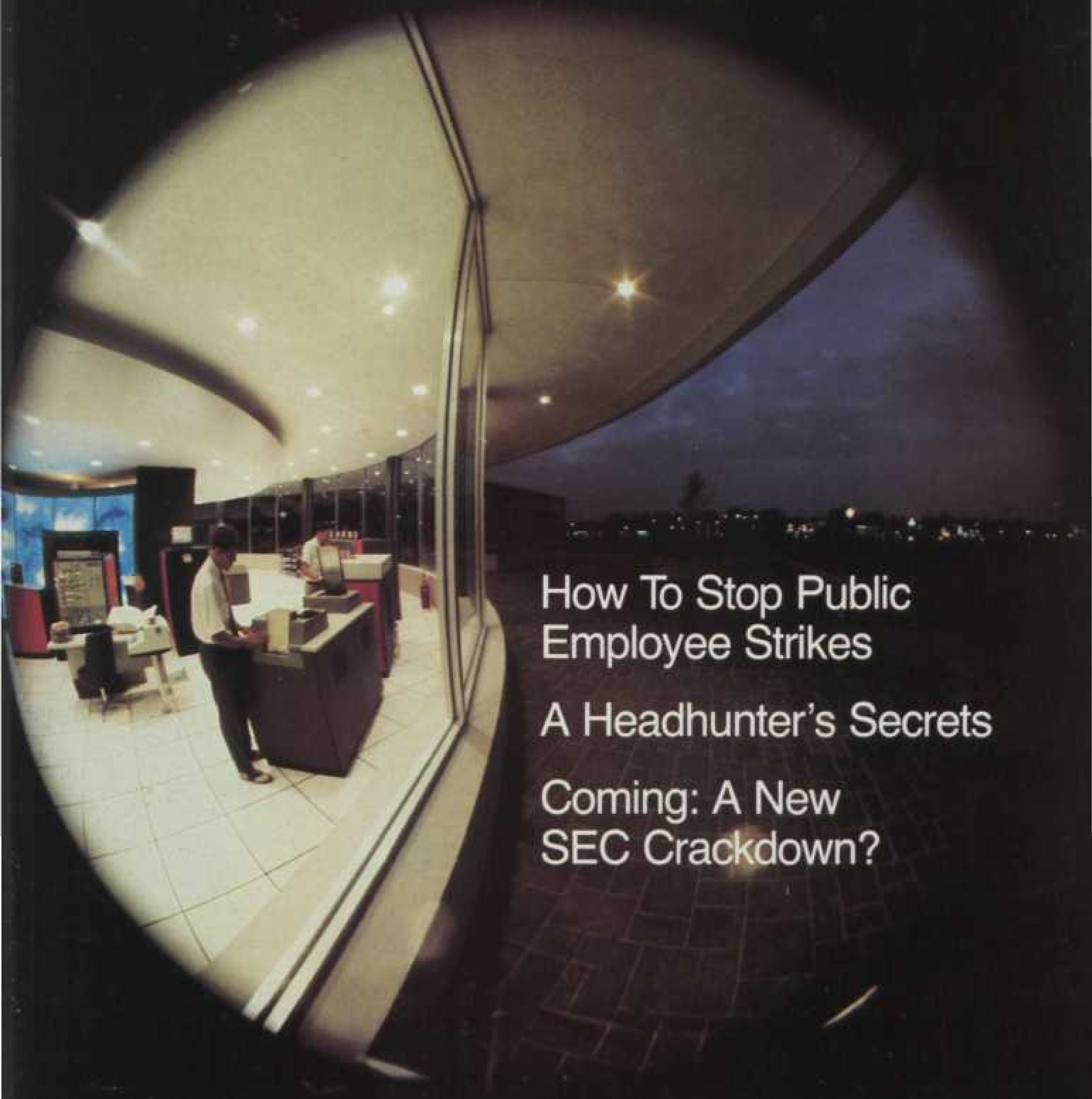
SEPTEMBER 1980

# Nation's Business

the business advocate magazine

more than 1,265,000 paid circulation

## WHERE THE JOBS ARE
### Outlook for the '80s



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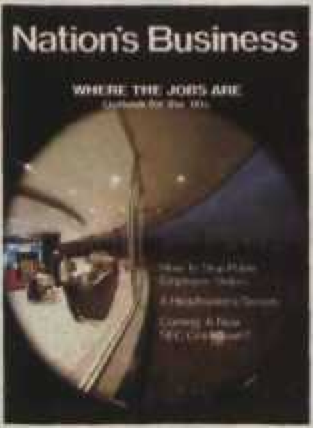
# Nation's Business




## Hiring

While millions are jobless, openings for engineers, secretaries, technicians and computer specialists go unfilled. Where are the jobs of the 1980s? Look to high technology or get an MBA.

by Mary Tuthill **24**

## Firing

Friday at 4:45 p.m. is the optimum time to fire an inept executive, according to a new book, *Secrets of a Corporate Headhunter*. And never explain why you're firing him, says the author.

by John Wareham **52**

## Sharing

Cities, counties and states love revenue sharing, a $6.8 billion program that lets them spend the money as they want, but Congress doesn't. Funding will be cut by a third this year.

by Michael Thoryn **68**

## Bowling

Once outlawed as a form of gambling, bowling is now the sport of 64 million Americans, who spend about $1.6 billion a year to knock down 10 wooden pins all at once 12 times in a row.

by John Costello **85**

## Departments



*Cover Photo:*
*Lee Balterman—Alpha*

## Strikes

City and county governments are taking a get-tough attitude toward public employes' strikes. Private citizens, like Howard Fulenwider, who watched his business burn, are suing the unions.

by Barry Crickmer **33**

## Campaign '80

The swing to conservatism could help the GOP gain control of the Senate, boost conservative strength in the House and produce a more pro-business climate in Congress.

by Vernon Louviere **40**

## The Steelers

Dan Rooney is too old to play for the Pittsburgh Steelers, but as president of the club he is a major factor in their success. Rooney runs the four-time Super Bowl champions like a business. "Our product is winning," he says as the 1980 professional football season kicks off this month and Bradshaw and Company go for that fifth ring.

by Tony Velocci **46**

## Shape Up

His objective is to reduce the role of regulation, but corporations must either reform themselves or the government will do it for them, warns Harold M. Williams, chairman of the independent Securities and Exchange Commission. In a wide-ranging question-and-answer session, the former corporation CEO spells out the danger of lethargy on the part of business.

by Barry Crickmer **57**

## New Chairs

A "breathtaking innovation" is how one professor describes the chairs of small business or entrepreneurship that have recently been endowed at several prominent universities.

by Roberta Graham **64**

## Tradeoffs

The art of trying to get what you want in your career without giving up what matters in your personal life requires balancing options and making tradeoffs.

by Barrie Greiff
and Preston Munter **76**

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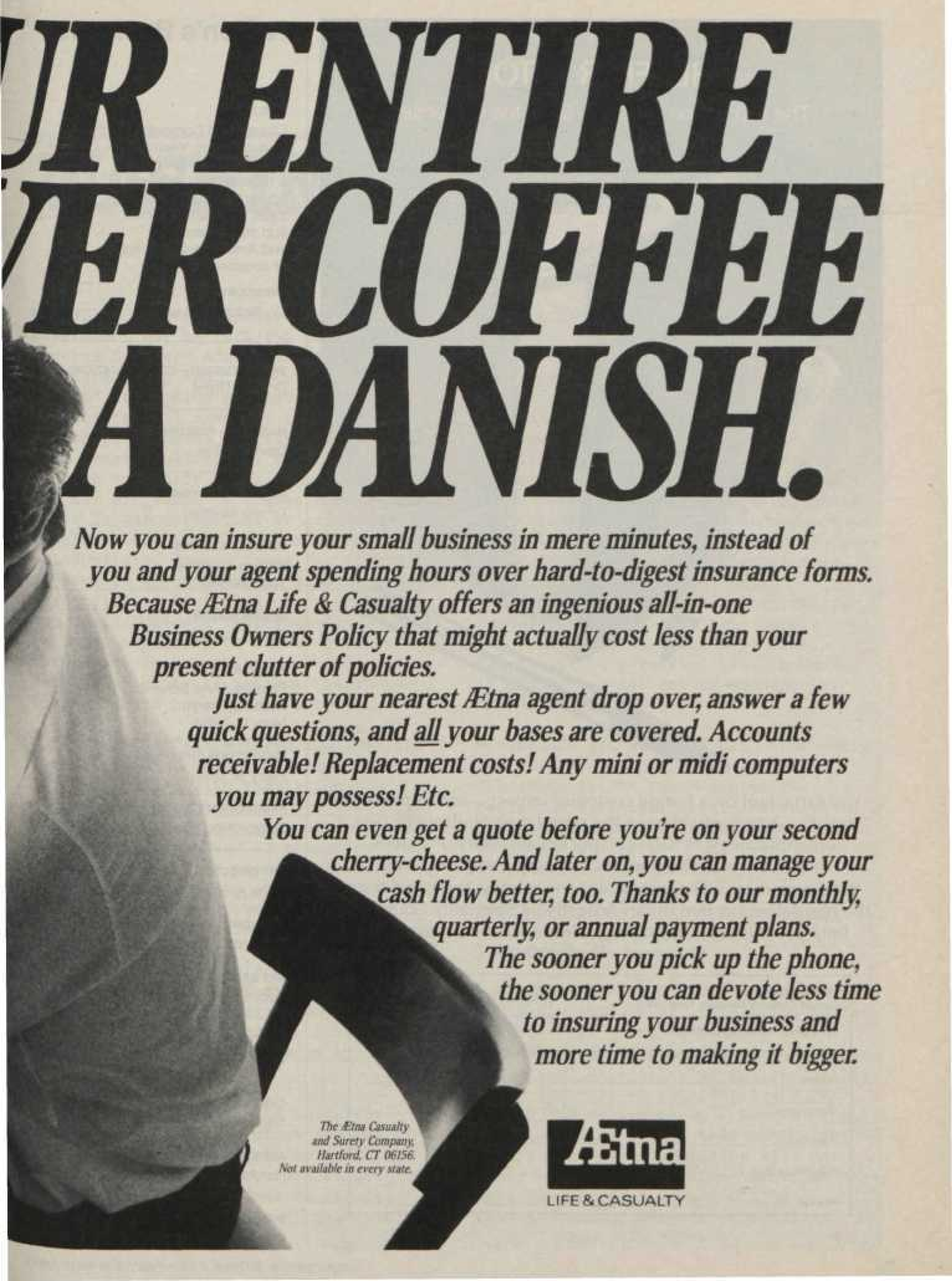
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# WASHINGTON LETTER

▶ SMALL BUSINESS suppliers to U.S. government may be left out in cold if General Services Administration succeeds in dismantling "multiple award schedules system" for making purchases. System permits federal agencies to order off-the-shelf products and services directly from nearby businesses. About 62 percent of such contracts go to small businesses. But now GSA wants to change procedure, to order larger quantities of government-specification items from smaller number of suppliers. Reason given for change is correction of problems in present system identified by General Accounting Office. But small business representatives say it's not necessary to throw out baby with bathwater. They feel they were not given fair opportunity to present their case during Senate hearings on subject.

▶ "AD SUBSTANTIATION INVESTIGATION" that Federal Trade Commission began in Dec., 1978, has ended with commission's conclusion that "based on the evidence, further action is not warranted at this time." Probe involved 83 companies making, selling, or creating advertising for air conditioners, auto tires, food products, fuel additives, household disinfectants and safety helmets.

▶ REPORTS have been circulating that some powerful legislators are trying to get rid of Federal Trade Commission Chairman Michael Pertschuk. Disregard them. Pertschuk is in no more trouble than usual.

▶ FALLING-DOMINO DISASTER threatens multiemployer pension plans because of business-labor confrontation in Congress. Law that went into effect Aug. 1 provides that federal Pension Benefit Guaranty Corp. must take over payment of pensions from funds that go broke. But agency is funded by assessment on participating employers. As employers pull out, burden grows for those remaining. Besides, experts say, agency's funding is hopelessly inadequate anyway. Senate has passed legislation revamping insurance scheme and making it harder for pension funds to declare insolvency. However, Senate bill carries five nongermane amendments and unions are strongly opposed to two--to exempt safe small businesses from Occupational Safety and Health Administration inspection and transfer some jurisdiction from Mine Safety and Health Administration to OSHA. Unions will try to kill bill in House, if House does not delete amendments. And House may not.

▶ REMEMBER BIG BUSINESS DAY, that anti-business "celebration" on April 17? Its sponsors, "a labor-consumer-religious alliance," sent letter on subject to unions last July. Second paragraph proclaims: "The results far exceeded our expectations." Third paragraph casts some doubt on second: "We need immediate financial help if we are to get through the summer," it says.

▶ HIGHER INTEREST ON U.S. savings bonds is likely outcome of legislation to let Treasury set rates, which are now limited to 7 percent by Congress. House has passed bill allowing one percentage point increase in interest every six months, as needed to sell bonds. Senate is expected to concur this month. But future Treasury advertising will not imply bonds are good investment, as have past ads. Reason? Complaints by citizens that 7 percent interest is

unsound investment in times of high inflation. Federal Trade Commission, nemesis of "false and deceptive" advertising, has been discussing issue with Treasury officials. It's all very gentlepersonly, since one federal agency can't give orders to another.

▶ NO TOASTER for a deposit of $5,000 or more in your savings account? That's possible outcome of regulatory flap pitting federal bureaucrats against one another. In one corner: Depository Institutions Deregulatory Committee, which charges that banks are using finder's fees and premiums to evade ceilings on interest rates, and wants to forbid practices. Opposed: Justice Department and Council on Wage and Price Stability, which assert that gifts and fees enhance competition. DIDC says it will announce its final decision on Sept. 9.

▶ REGULATORY CONFLICTS, largely confined to business in past, increasingly affect federal agencies themselves. Some recent examples: Occupational Safety and Health Administration is unhappy with performance of Justice Department prosecutors working on OSHA cases. OSHA is maneuvering to take on more of prosecutorial role. Environmental Protection Agency is leaning on Energy Department to clean up particulate air pollution from DOE research facility in Rivesville, W. Va., which was designed to test method for reducing sulfur dioxide air pollutants from burning high sulfur coal. And OSHA is gearing up to pull surprise safety inspections on other federal agencies, starting Oct. 1. However, OSHA will not levy fines against others in government.

▶ POLITICAL CLOUT of "New Right" gets praise from unlikely source: report published jointly by Center to Protect Workers' Rights and Conference on Alternative State and Local Policies. Former group is headed by Robert A. Georgine, president of Building and Construction Trades Department, AFL-CIO. Report says New Right "is able to set the tone of political campaigns" and "has altered the norm of political discussion." It "will continue to be a major force in American politics in the 1980s." Report calls for "an equally forceful and effective response by the labor movement, progressive activists, minorities, women, environmentalists, students and concerned moderates."

▶ TOMORROW'S HOT TOPIC in Washington: Threat of foreign investment in U.S. Old issue gains renewed vigor from study by House Commerce, Consumer and Monetary Affairs Subcommittee. Dangers to national security, transfer of technology, and aggravation of inflation are among potential problems highlighted by report, which criticizes federal government for poor monitoring of investment and lack of coordination among 16 agencies involved. Chairman is New York Rep. Benjamin S. Rosenthal, persistent gadfly to business, but report must be taken seriously, says one business analyst familiar with issue, because "Rosenthal has really done his homework" on this subject.

▶ OSHA MAY GET NEW BOSS soon, or so speculate professional OSHA-watchers. Reasoning: Administrator Eula Bingham, appointed in 1977, still maintains her home in Cincinnati, where her three daughters attend school. This prompted criticism in past that she spent too much time there and not enough in Washington. Also, she has lost some disputes with Labor Secretary Ray Marshall over high-level personnel matters. She may be staying on now--theory goes--only to avoid embarrassing President Carter by departing just before election.

▶ LEAKS often frustrate federal officials, but rarely are they serious enough to shut down entire agencies. Yet that's what happened to Securities and Exchange Commission--repository of much sensitive corporate information--on July 17. Leak was quickly traced to broken water main in headquarters building. Deprived of certain essential facilities, regulators went home early.

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# Windfall Prophets?

The domestic auto industry is getting a bad rap for not anticipating the demand for small cars ["Detroit: Surviving the Crash," July]. Just a few years ago, small cars were not selling at all. (I even got a $200 rebate on my new '77 Chevette.) General Motors' move to downsizing was seen by almost everyone as very risky. The need for small cars came much faster than anyone forecast, and the Japanese happened to be making a product that suddenly got hot. The term "windfall profits" should be applied to the Japanese auto companies, for what they are now reaping is far beyond what they earned in fair competition.

JEFFREY C. MERRICK
*Wyomissing, Pa.*

General Motors strongly disagrees with the contention that federal regulations are effective in saving lives or lowering gasoline consumption.

The nation's outstanding safety record is based on free market forces and self-interest (people really don't want to hurt themselves) rather than on government safety rules. Most of the progress against fatal accidents in the U.S. occurred long before the creation of the Occupational Safety and Health Administration in 1970 and the Consumer Product Safety Commission two years later.

We think the fuel economy regulations are totally unnecessary, inasmuch as the marketplace demands fuel economy much greater than the regulations call for. GM expects to have corporate average fuel economy of 31 miles per gallon, 3.5 mpg above the standard, by 1985.

R. T. KINGMAN
*Director of Public Relations*
*Washington, D.C., Office*
*General Motors Corporation*

Dollar for dollar the American auto is still the best buy, the best built and the easiest to maintain. Yes, we made some dogs, but a great many more dogs have been imported. The German cars are great examples of fine engineering, but are outdated. They are also excessively overpriced, which gives the affluent American the chance to prove his affluence while being taken to the cleaners. Yes, the Japanese cars run cheaply, if you don't mind driving a tin can mounted on a roller skate. Buy American, Americans.

W. WEISBROD
*Montville, N.J.*

I am not in sympathy with Detroit or its unions. The American people need cars they can afford and have delivered in a reasonable amount of time. The 1947 Club Coupe made by Plymouth was the best automobile ever built. I had one and would buy another if I could find a new one.

MARVIN E. RICHARDSON
*Jackson, Miss.*

I find it hard to comprehend how safety and emission requirements cause problems for U.S. firms, yet don't cause equal problems for foreign auto makers. As the purchaser of an excellent new American car—the equal or better per dollar of anything foreign—I wonder what would happen if Detroit quit wasting energy crying, and used it to sell cars.

BERNARD EVERS, JR.
*Nashville, Tenn.*

**Needed: More good men**

Thank God for the article by Tony Velocci ["U.S. Defense: Are We Ready for Anything?" July] and the commentary by James J. Kilpatrick ["Symbols and Substance," March] on military personnel. If "persuading people to join up is a major challenge and keeping them is even harder," why doesn't the government keep the good men who are willing to stay in the armed forces and fulfill their careers instead of booting them out if they are passed over for promotion? We do not need more programs to attract military men and women; we need military leaders with enough common sense to keep those who are willing to stay.

PAMELA HODGES
*Tampa, Fla.*

**Wanted: A tax cut**

In general, I agree with your editorial ["How to Stop the Recession"] in the July issue. However, in addition to your suggestions, I propose a hefty cut

in entitlement programs (along with the appropriate tax cut), boosts in essential programs like water resource development and defense, and close cooperation between business and government in foreign trade.

J. FRANK POLMA
*Garland, Texas*

### Unseating the President

Not since Stephen Grover Cleveland, a Democrat, was unseated in his bid for a third term by William Jennings Bryan in 1896—84 years ago—has a sitting President lost the nomination to a member of his own party. Before that, Chester Alan Arthur, a Republican (1880-1884), lost to James Gillespie Blaine, who, in turn, lost the election to Grover Cleveland; Franklin Pierce, a Democrat (1852-1856), lost to James Buchanan, who defeated the Republican John C. Fremont; and Millard Fillmore, a Whig (1850-1852), lost to Gen. Winfield Scott, who lost the election to Franklin Pierce.

Interestingly enough, all the party nomination defeats of incumbents occurred in the 19th century when the power and prestige of the Presidency were much less developed. Moreover, in this century even Theodore Roosevelt could not deny the renomination to William Howard Taft in 1912, with the result that he ran as an independent (Progressive Party), only to split the Republican Party and assure the election of Thomas Woodrow Wilson.

REMI THEUDEBALDO
*New York*

### Fiat money

Neither the monetarist nor the supply-side theory about controlling inflation is valid in an economy operating with fiat money. The sad truth is that our federal government is the inflator and has been ever since the middle 1960s, when President Johnson and Congress completely demetalized the currency.

GEOFFREY R. WOOD
*Northville, N.Y.*

### Local quality

Re: "Seven Ways to Land a Loan," June. Guy C. Roberts suggests an audit by one of the Big Eight firms. But these firms do not "live" with their clients as a small firm often does. A small growing company needs top-notch financial assistance administered by seasoned veterans. A Big Eight firm is more likely to staff a small client with green juniors.

JIM FRANCISSEN
*St. Charles, Ill.*

### The G factor

Re: "Milton Friedman's Economic Bill of Rights," July. I find it interesting that Friedman's bill begins, "Congress shall not . . . ," when the bulk of economic analysis is predicated upon models excluding "G," i.e., the government. Has economic academia finally recognized the government? If so, when will Congress?

JOHN A. NORTH, JR.
*Smyrna, Ga.*

It is not less government or more government we need; it is good government. Textbook economics doesn't work on a global scale. If we had had the Friedmans and Galbraiths 100 years ago, we would have an economic system like Bulgaria's, and because we listen to these economists to the right and to the left, we might end up having a system like Bulgaria's.

ARTHUR SPITZER
*Beverly Hills, Calif.*

# How To Play the Political Game

TO SAY THAT POLITICS is a game is to start off with a stumble, for obviously politics is more than football grown-up. The choosing of men and women to levy taxes, run schools, administer justice, write laws and provide for the national security is a serious business. Politics ought to be taken seriously, and it is a pity that so few of our people, relatively speaking, do take it seriously: Barely half of the eligible electorate in this nation will vote in November.

But, once all that has been said, politics can indeed be viewed as a game, and in the year of our quadrennial lunacy it is the greatest game on earth. Over a four-year period, more than half a million persons will run for public office. In November, 83 million voters will go to the polls. Politics is both a spectator sport and a participant sport, a contest of teams and a contest of individuals. The stakes are high, and at the highest level they are awesomely high: In presidential politics we play for power, tremendous power. No other game is played with such intensity, over so long a season, with so much riding on the outcome.

Yet it is a curious thing: Until this very summer, so far as I am aware, no one had written a book on how to play the game. We have had torrents of books by politicians and about politicians; books of election analysis, books of campaign coverage, academic works of impenetrable opacity. But in Jeff Greenfield's *Playing to Win*, just out from Simon & Schuster, at last we have the real thing. It is like Hoppe on three-cushion billiards or Borg on playing the net. Greenfield is a pro. He is a professional pol. If you are running for office, or if you are actively helping someone else run for office, this is your *Five Weeks to Winning Bridge*.

Greenfield is wry, witty, cynical, hard-boiled. He comes on like an old fight manager, smelling of liniment and sweat, with sage advice on butting and thumbing. Is his candidate being pressed by a panel of tough questioners? "Answer the question you want to answer, no matter what question they ask." He has other splendid tips: "Never put a price tag on your promises . . . Know people with a great deal of money . . . If Sally Quinn asks for an interview, say no."

Let me expand, if I may, on Greenfield's ring-wise advice. What is the best counsel I might offer you or your candidate? It is only this: Level with the people, and level with the press. In the days of sailing ships, it may have been possible for a candidate to get away with saying one thing in Savannah and something else in Boston, but them days is gone forever. Keep your promises consistent, and keep them modest. Confronting a tough question, if you don't know the answer, say you don't know the answer; the people will be more attracted to an honest ignoramus than to a dissembling poseur.

Point 2, related to Point 1: Don't try to be funny unless you're naturally funny. Some politicians are born with wit: Bob Dole of Kansas, Mo Udall of Arizona. But beware of telling jokes simply to be telling jokes. Political jokesters get laughs, not votes, and votes are what the game is all about. Point 3: Never, without the most compelling reason, argue with a newsman; he will always have the last word. Flagrant misquotations, of course, have to be corrected. Otherwise the philosopher's wisdom applies: This too will pass. Newsmen write on sand; television writes on the wind.

Other words of caution for campaigners: Start early, work late, but never meet press or public when you're dead tired. This is when blunders occur. Answer your mail, but don't answer letters from nuts. Win or lose, be gracious no matter how it hurts; this is how one lives to fight another day.

GREENFIELD doesn't tell you everything; he doesn't tell you how to organize car pools, phone banks and mailing lists. He provides no instruction for poll watchers. He neglects such tedious matters as the statutory reporting of income and outgo. For these tasks we have technicians, accountants and lawyers. His counsel is the counsel of gamesmanship: how to draw an opposing tackle offside, how to feint with a shoulder, how and when to fold a bad hand, how to throw a beanball without actually beaning the batter. All this lies at the heart of playing politics to win.

If I knew how to do it, I'd put Greenfield's book on the desks of 10,000 people in the business community—people dedicated to the principles of free enterprise and the marketplace—in the hope that they'd catch his excitement. Maybe they'd stop merely watching the game, and decide to play it instead. Seven years ago we had 155 business people in the House of Representatives; now we have 127. Too many business people suppose they meet their political obligations merely by giving at the office. If they truly want to win, they'll have to get out of the bleachers and give it their all on the field. □

# He Got the Order—18 Calls Later

By Grover Heiman

If you are white, a Harvard MBA, and invest $4,000 in a highly competitive business, what are your chances of becoming a millionaire within five years? Slim. If you are black and have a third grade education, what are your chances? Forget it.

George V. Smith didn't ask anyone about the odds in 1974 when he started Smith Pipe Testing & Service Company in Houston, Tex. Today, Smith, 54 and black, is a multimillionaire.

In 1974, Smith was doing well. He had accumulated 25 years of experience in the pipe business and had become the vice president of Seaboard Pipe Testers, Inc., Houston, an oil drilling service firm. "In those days," he says, "I was possibly the only black man allowed to work on the drilling rigs."

To entrepreneur George Smith, big is beautiful.

Smith took the jump to entrepreneurship with four employes, wire brushes, kerosene to clean pipe threads, rented compressors and air guns, and $4,000. He operated out of the trunk of his car. One of his employes' wives answered phone calls at home. Smith brought along another asset—he was known as one of the best used pipe appraisers in the country.

"In our first year we did $50,000 worth of business," he recalls. In 1975 he expanded by establishing Continental Inspection Company. With both firms he was able to offer a full range of testing—from hydrostatic to electronic—for used pipe. In 1976 he formed Smith Pipe & Supply Company, a distributor of tubular goods, valves, pipe fittings, drilling and production equipment.

Sales zoomed to $5 million the next year. By 1978, gross sales of his three firms was $24 million—a 2,000 percent increase over 1976. Today, Smith has 135 employes (70 percent black), supply stores in Houston and Bakersfield, Calif., and sales offices there and in Denver, New Orleans, Oklahoma City and Los Angeles. Smith's creation is the seventh largest black-owned business in the U.S.— and the largest in Texas. His goal is to have a $100 million business with 500 employes in about two years.

Smith grew up in the small town of Livingston, Tex., in the piney woods eastern region of the state. He dropped out of school after the third grade to help support his mother and four brothers and sisters. His first job, at the age of eight, was cutting grass. He moved up to picking cotton at 12, harvesting rice at 13, cutting railroad cross ties at 15, and operating a paper latching machine for a pipeline company when he was 16.

By 1950, Smith had worked his way up to a $1.46-an-hour job as a shipping-receiving clerk for the Missouri-Pacific Railroad. But there was something about the pipe business that intrigued him, and that year he quit his 40-hour-a-week job with the railroad to take a $1.00-an-hour, 80-hour week job with a Houston pipe company.

"In the pipe yard I learned everything I could. When a piece of equipment broke down I asked how to fix it because I knew someday I'd own it." Smith was also on the alert for ways to improve his employer's business. Using common sense, he says, he developed new methods to test pipe that improved productivity dramatically. With his new technique two people could test 100 joints a day when before it took five people to test 12-18 joints.

Smith is also a relentless salesman. "I keep going back until I get an order," he says. "I went to one company 17 times before they bought pipe from me. When the purchasing officer asked me why I kept coming back I said, 'I've got too much invested in plane fares, hotels and meals to stop now.' He gave me a small order, which didn't pay my expenses, so I went back an eighteenth time and came home with a $250,000 order."

Smith attributes a great deal of his success to his employes. He hires school dropouts and trains them, changing them from welfare recipients to taxpayers. He expects their best efforts. "I believe in giving a hand up and not a hand out," he says. And he doesn't accept excuses such as being poor or uneducated.

"Everyone told me I'd amount to nothing. But no one could prove them right but me. And I made up my mind to prove them wrong."

What is he proud of? "I built my companies without having to get loans from banks or the Small Business Administration. I wanted to stand as an example to black people that you don't need to borrow to be a success. If I made it it would be because I did it, not me and the bank, not me and the government."

In a few years Smith expects that his growing enterprises will be the largest black-owned business in the nation. And the smart money isn't betting against him. □

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PIA

THE ECONOMY

## Cautious Consumers Will Slow Recovery

Consumers could lead the country out of the present recession, but will they? Opinion among economists runs from mild, heavily qualified optimism to varying degrees of pessimism.

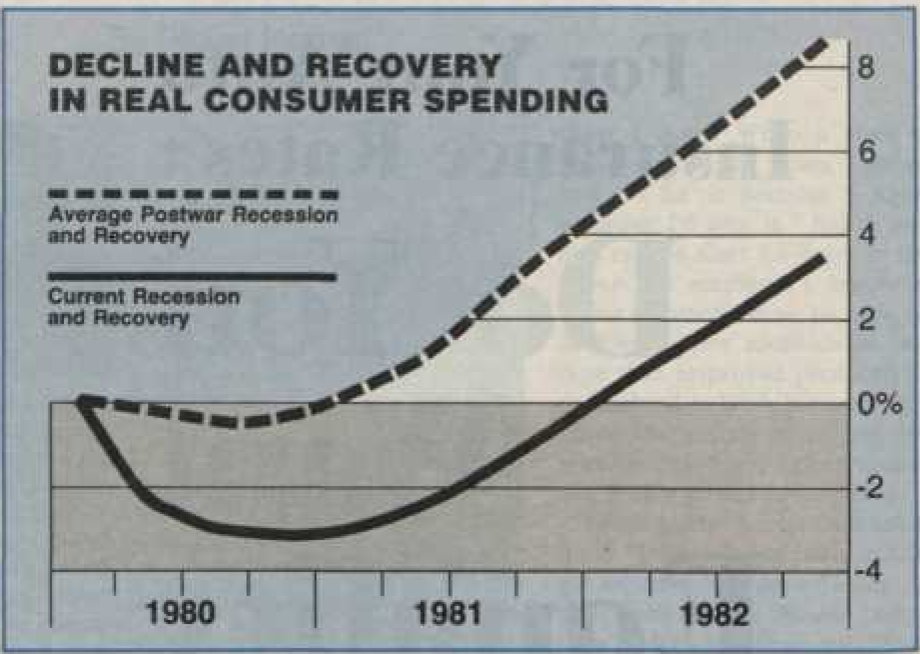
While consumers account for two thirds of total spending in the economy, real consumer income declined in 1979, but people borrowed money or bought on credit to maintain their standards of living.

This continued spending postponed the arrival of the world's most-predicted recession until last March when the Federal Reserve Board clamped down on credit and produced the biggest drop in consumer spending on record, twice as much as the 1.1 percent drop during 1973-74. The Fed's "unfortunate experiment . . . frightened consumers to death," says Morris Cohen, chief economist of the New York investment counseling firm of Schroder, Naess & Thomas.

Several situations could stimulate a revival of consumer spending. Home mortgage rates are lower than the peaks of last spring. Social Security checks went up by 14 percent in July. New, more fuel-efficient cars are due from Detroit this fall. And the November election could provide a psychological lift. On the other hand, consumers are confronting the fact of declining real income. Credit terms are tougher than they were a year ago. And people still seem shaken as a result of the government's abrupt change of credit rules in midgame.

Is consumer behavior important to the recovery? "Very important," says Judith Mackey, vice president of the economic consulting firm of Townsend-Greenspan in New York. "We have largely had a consumer-influenced expansion and a consumer-influenced contraction," she notes.

But like many of her colleagues, she doesn't foresee a return to last year's free spending or a rapid recovery. Neither does the Federal Reserve Board, which predicts a moderate rebound in real gross national product with some slackening of inflation and continued high rates of unemployment.




**Consumer spending will not return to prerecession levels until early 1982.**

A return to high rates of consumption may not even be desirable. Beryl Sprinkle, executive vice president and economist at Chicago's Harris Bank, sees a need for "a modest, short-run increase in spending," but cautions that "our economic health long-run depends on less consumption and more saving and investment."

Economist Cohen shares that view. "If housing is allowed to move on its own without restraint," he says, "it can eat up an awful lot of capital. I would argue as an economist that there may be better uses of that capital." Cohen considers consumers "a neutral to slightly positive force" in the recovery picture and expects a weak recovery. "We've got a new monetary policy which is not going to allow us to have a recovery of the old-fashioned type," he says.

Projections from the U.S. Chamber's Forecast Center show consumer spending bottoming out in the fourth quarter of this year and not returning to prerecession levels until the first quarter of 1982. Spending during the recovery is expected to lag well below the average level of other postwar recovery periods.

REGULATION

## Should Taxes Cover Regulators' Mistakes?

Manufacturers who through no fault of their own lose money because of regulations should be compensated, says a report from a New York think tank. And taxpayers should foot the bill for regulatory mistakes because they are the ones who will benefit from regulation, the report from the Institute for Socioeconomic Studies adds.

For example, the report says, the unexpected government ban on Tris, the flame-proof chemical used on children's sleepwear, threatened manufacturers with $200 million in losses in 1977. The ban followed government studies linking Tris with cancer, but seemed totally unfair to those in the tiny industry (only $500 million in sales annually) because they had used Tris to comply with federal regulations requiring children's sleepwear to be flame-resistant. Congress passed legislation compensating manufacturers, but President Carter vetoed it because, he said, "the firms should have known that such products constituted a hazard to the health of children."

Historically, the government's re-

sponse to those injured by its regulatory activity has been sympathy but no succor. Still, the government provided about $10 million in damages to cranberry growers in 1959 after its announcement of contamination in a small sample wiped out the market that year. To avoid spurious claims, the report suggests one of three tests: Congress or a federal agency would have to admit that the harmful regulation was wrong; the company would have to show that it had no reason to believe the proscribed product or activity was likely to be regulated (as in the 1969 decision to outlaw cyclamates, the artificial sweeteners previously classified as safe) and the government's regulatory objective could have been achieved by some other reasonable, less harmful means.

Financing compensation should, the report says, be governed by the principle that "those who benefit from a government regulatory action should be the ones to compensate those who suffer losses because of it." The report suggests as an example that a tax be levied on children's sleepwear to compensate the manufacturers.

INTERNATIONAL

## Inflation Squeezes Business Abroad

High inflation is eroding business confidence not only in the United States, but also abroad, according to a semiannual poll by the U.S. Chamber Survey Center.

Despite comparatively low inflation rates in some countries, 60 percent of the almost 1,500 top executives surveyed expect higher consumer prices during the next 12 months, compared to 44 percent a year ago.

The proportion of U.S. executives abroad who believe that their host countries will succeed in fighting inflation also slipped—from 33 percent last summer to 27 percent this year. In the United States, a separate survey found that only 1 percent of business leaders expected the government to beat inflation, and 74 percent expected double-digit inflation to continue.

CORPORATIONS

## Pensions for All May Be Next

With near-unanimous consensus that Social Security benefits will never be enough to live on comfortably, a presidential commission is now studying a mandatory national pension system, funded primarily by private employers, that would supplement Social Security and incorporate existing private plans.

The President's Commission on Pension Policy, whose 11 members headed by Xerox Corporation Chairman C. Peter McColough were appointed by President Carter in 1979, has produced an interim report on this pensions-for-all approach. If cost and practicality studies now under way show the concept is feasible, the commission will probably recommend a mandatory system when it releases its final report next February. Right now, the commission says, the U.S. has a "two-class retirement system," because only about half of the workers in nongovernment jobs are covered by private pension plans. The commission acknowledges that the financial burden on private employers, especially small businesses which generally don't offer pensions, will add up to megabucks, but it considers the private sector to be vital in providing universal pension coverage.

Already offering a variation of universal coverage in such industries as construction, mining, shipping, trucking and garment-making are multiemployer pension plans, which contain about 25 percent of overall private pension assets—$322 billion. According to the Pension Benefit Guaranty Corporation, a quasi-government agency that guarantees the benefits and administers the system to which employers contribute, about 12 percent of the multiemployer plans, whose unfunded liabilities total $4.8 billion, are in trouble. The problem is most acute in the declining industries where a shrinking pool of active workers supports an increasing number of retired people. (The same situation plagues the Social Security system. From now through 2000, about five workers will be supporting each retired person; over the next 25 years, that ratio will drop to three to one, which will be too few to support the system unless payroll deductions at least double the present 12.5 percent.)

Legislation designed to shore up the shaky multiemployer system sailed through the House and Senate, but amendments exempting many small businesses from normal Occupational Safety and Health Administration inspections and making OSHA the health and safety watchdog of the sand

Pensions for every worker, on top of Social Security, are envisioned by 2000.

and gravel industry were added, and that may prove the undoing of the legislation this session.

Additional pension problems for employers may surface from proposals by the Internal Revenue Service and the Equal Employment Opportunity Commission. The agencies are asking other federal agencies whether pension benefits should continue to accrue for those who choose to keep working after 65. The Labor Department issued regulations permitting employers to suspend such accruals shortly after Congress raised the mandatory retirement age from 65 to 70.

The two agencies are also proposing that credit for salary increases after age 65 be counted in determining pension benefits and that employees hired at or after age 60 be covered. None of these proposals was contained in the omnibus retirement act—ERISA—passed in 1974 and geared to retirement at 65. In raising the mandatory retirement age, Congress stated that no provisions of ERISA should be changed.

GOVERNMENT

## A New Federal Guide About Sexual Bias

Whether federal guidelines to end sexual harassment on the job will thwart office Romeos is uncertain; what is certain is prolonged controversy over exactly what constitutes sexual harassment. Nancy Kreiter, research director for Women Employed, a Chicago-based women's rights group, says the guidelines are clear: "Repeated or unwanted sexual advances, including looks, jokes and innuendoes that cause a woman problems on the job, make her uncomfortable or interfere with job performance."

But, she adds, the harassment does not have to be sexual in nature; sometimes it may be based on gender. "An example is a woman being told she can't do the job because she's a woman," says Kreiter. "The guidelines spell out what sexual harassment is, that it is illegal, that company policies must say this and that corrective action by employers is expected."

While condemning sexual harassment outright, critics of the guidelines say they will end up making the employer an office chaperon. "Employers may well find themselves policing conduct which is not related to employment," says a labor relations attorney. "Employers could be drawn into and used as a weapon in interpersonal relationships among their employes that have nothing to do with the job." And, a critic says, "One woman's harassment is another's compliment."

Still, says a spokesman for the Equal Employment Opportunity Commission, which published the guidelines, "the comment we received was overwhelmingly in favor of the guidelines. Most of the responses came from employes. Business leaders were very quiet on the subject."


Few pay raises are large enough to keep an American family ahead of inflation.

TAXES

## IRS Raises Mileage Rate to 20 Cents

Bowing to inflation, the Internal Revenue Service has raised the standard deduction for cars used for business from 18.5 cents to 20 cents per mile up to 15,000 miles. The rate, which is based on studies by the General Services Administration of what it costs to run the average car, will probably rise next year, too, says Wilson Fadely, IRS public information officer. The rate in 1978 was 17 cents.

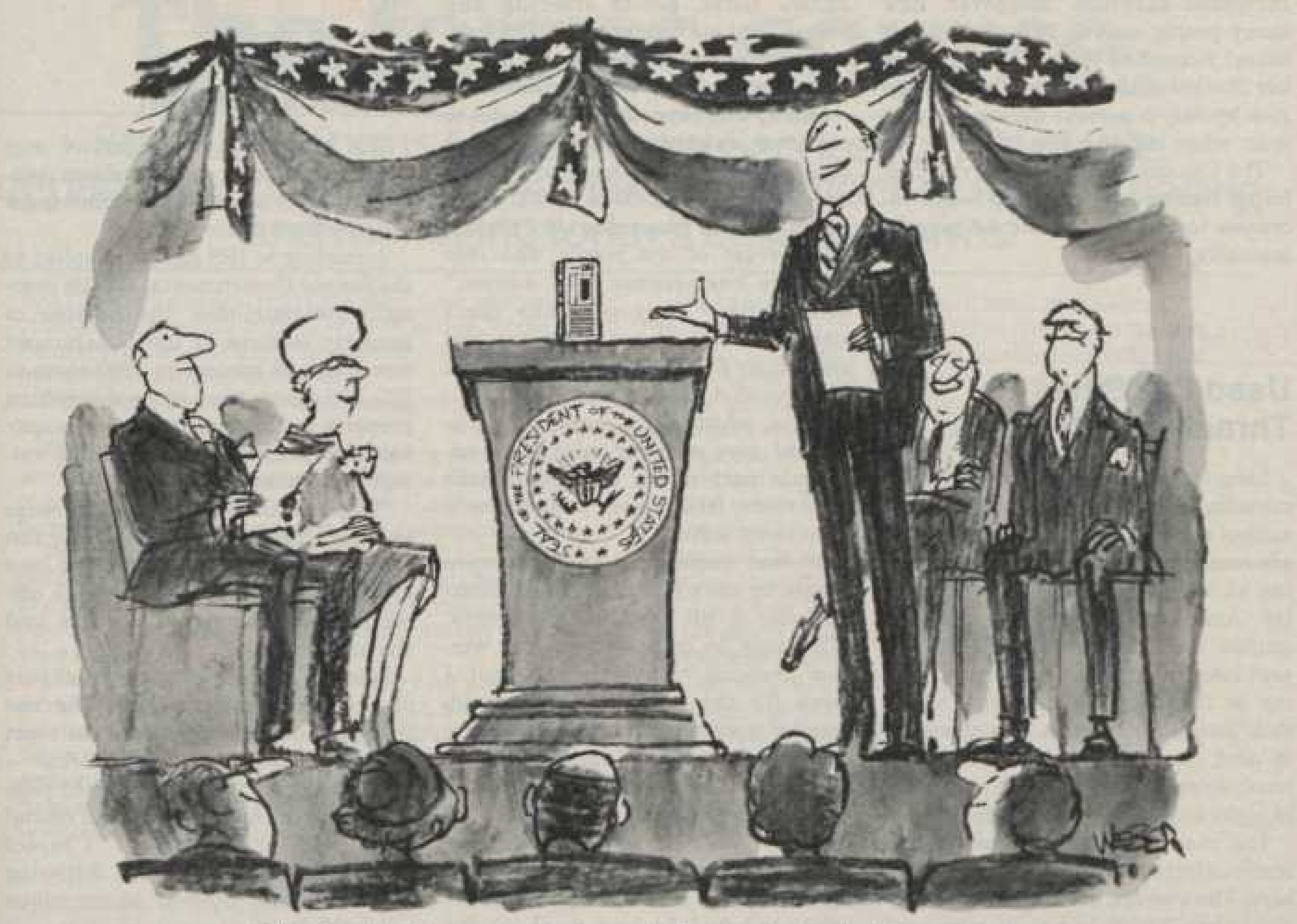
Is 20 cents enough? "It's fairly realistic," says Richard Hebert of the American Automobile Association. "We calculate that the cost is 21.4 cents per mile, using an intermediate-sized car driven 15,000 miles a year, mainly for personal use. The more miles you put on, the lower the cost of running the car," he says. The IRS has also raised the deduction for the business use of cars over 15,000 miles, from 10 to 11 cents per mile.

## 14.5% Pay Raise Buys $155 Less

If 1980 ends with inflation at 14.5 percent, as projected last spring, anyone who received a 14.5 percent pay boost this year would seem to be breaking even. Not so, according to economists at the Tax Foundation in Washington, D.C.

A $10,000-a-year family (married couple, one earner, two children) would earn $11,450 with a 14.5 percent raise. But their federal tax would increase by $224 and their Social Security tax by $89, leaving a net "paper" gain of $1,137. At $10,000 per year, this family had after-tax income of $9,065. With the raise, that after-tax income is now $10,202. But because of inflation, the 1980 dollar is worth only 87 cents, compared with the 1979 dollar. In 87-cent dollars, the $10,202 would have the purchasing power of only $8,910, a loss of $1,292. The added taxes plus the loss due to inflation add up to $1,605, which is $155 more than the pay raise.

Those earning more fare no better, the Tax Foundation says. The $35,000-a-year family loses $668 in after-tax income, a 2.4 percent loss of purchasing power, compared to the $10,000-a-year family's 1.7 percent. None of the above calculations, the foundation says, include the extra bite that state and local taxes would take from the

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increased earnings. Moreover, how many people receive 14.5 percent pay hikes? According to the Bureau of Labor Statistics, median family earnings rose by only 8 percent during the past year, when inflation was 11.5.

The Council on Wage and Price Stability recommends limiting wage increases to between 7.5 and 9.5 percent annually.

PERSONAL

## Used Car Sales Threaten Detroit

Long the stock in trade of roadhouse comedians, (and now even the putative subject of a Columbia movie), used cars are making a comeback, and threatening an already beleagured auto industry. Americans bought a record 18.5 million used cars last year, a 3.2 percent rise from the year before, according to the Hertz Corporation, which calls itself the "largest manufacturer of used cars in the nation." (By contrast, domestic auto makers sold nearly eight million new cars in 1979.)

The reason for the increase is economic, Hertz spokesman Leigh Smith says. The average used car cost slightly more than $3,602 last year, compared to about $6,000 for a modestly equipped basic model from Detroit, and is 40 percent less expensive to run. The typical used car was an intermediate-sized sedan just 2.8 years old, with 29,090 miles, power steering and brakes, and air conditioning. The typical buyer expected to keep this car for three years and put 30,000 miles on it.

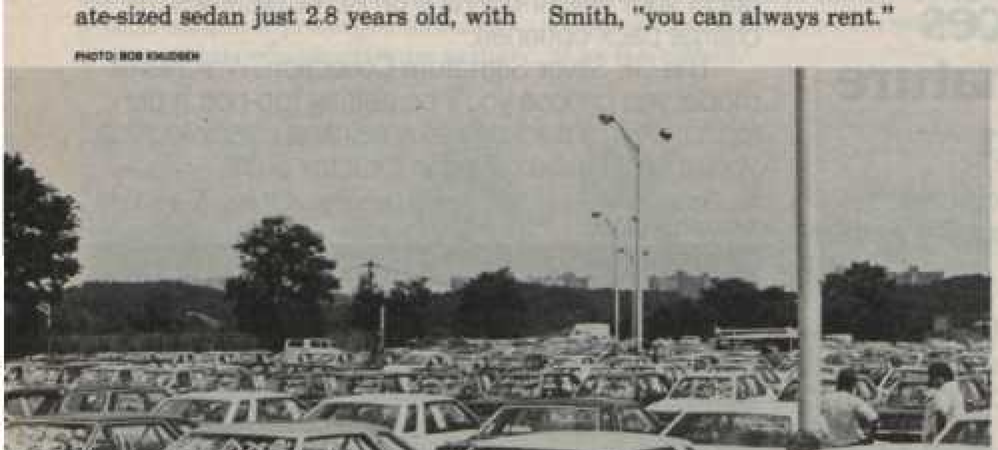
Smith, who expects used car sales to continue upward, says the average used car from Hertz has had 85 drivers, was driven 12,000 to 24,000 miles and is three or four years old. "Eighty-five percent of the people who rent cars are businessmen and women," says Smith. "They generally don't abuse the cars, and if a car has had more than $700 worth of damage, we don't retail it to individuals."

Hertz, which keeps national statistics but says used car sales are a minuscule part of its business, retails more than 60,000 cars and trucks a year. (Avis is No. 2.)

Of that number, 1,780 cars were bought by state and local governments last year in all parts of the country. "This may be only election-year window dressing," says Smith, "but I think it's the beginning of a trend. Smaller governmental units can save money by buying used cars."

How to avoid buying a lemon? Unless you're mechanically inclined, it's probably wiser to avoid leased cars, former taxis and police vehicles, Smith advises. (These cars usually experience hard use.) And be sure to check the maintenance record. Hertz offers a one-year warranty, but will not dicker over price and refuses to take trade-ins. "If you don't want to buy," says Smith, "you can always rent."

PHOTO: BOB [illegible]



A record 18.5 million used cars were sold in 1979: the average price was $3,602.

SMALL BUSINESS

## Congress Raps Zealous Taxmen

The Internal Revenue Service may ease up in seizing small business owners' property to pay taxes following a congressional condemnation.

According to IRS figures supplied to the Senate Governmental Affairs oversight subcommittee, the number of property seizures in the U.S. jumped more than 44 percent in 1980 alone to 325. IRS agents were accused of seizing property to meet internal agency quotas used to determine personnel ratings and promotions.

"There is competition among groups and branches (of IRS) to see who can get the most seizures during one month," Joseph Boyd, a revenue officer in the St. Louis office of IRS, told the committee.

Seizure, he said, is an essential part of a revenue officer's job. "The one thing a group manager does not want is to have a zero-month in seizures."

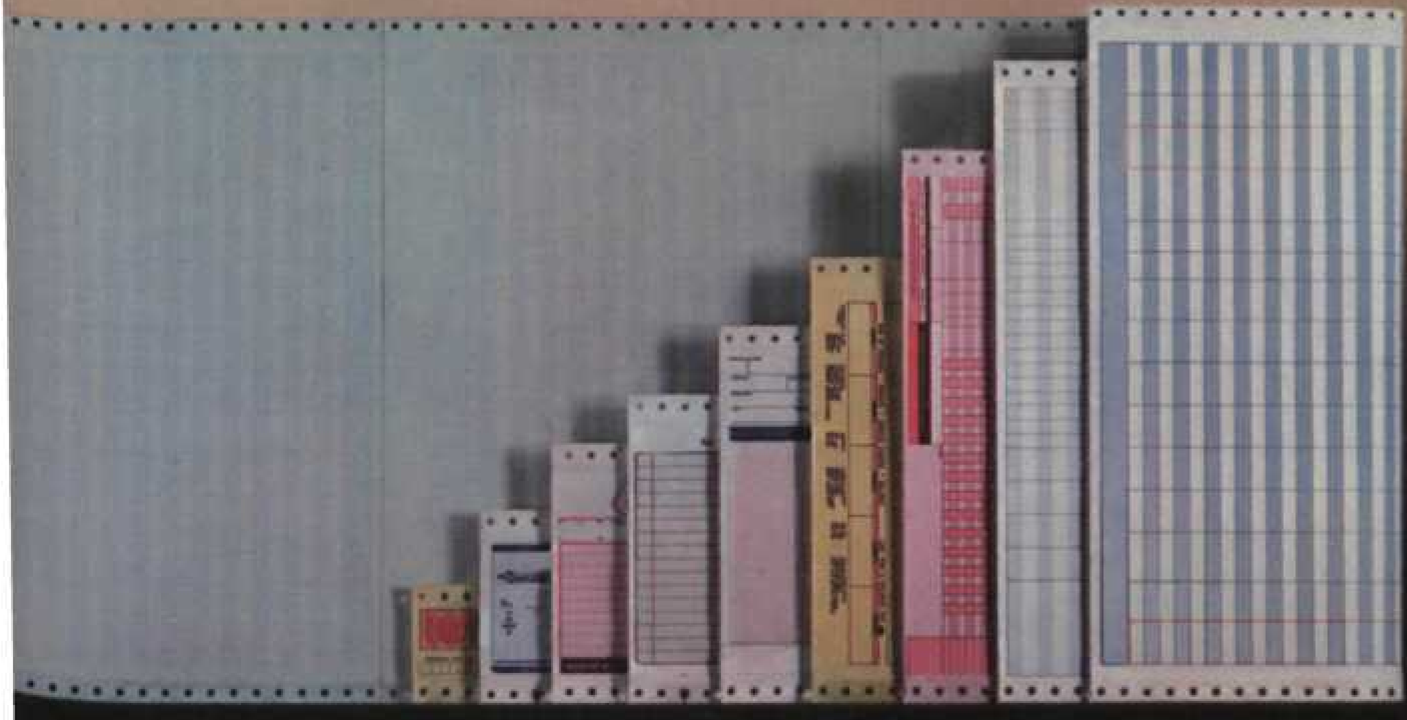
The subcommittee has released page after page of charts, tallies and official reprimands on the subject. "I expect cases to be handled in the following manner," one internal communique says. "Tell the taxpayer what you want. Tell him what will happen if you don't get it. Make it happen."

"The small business taxpayer is the hardest hit by increased IRS seizure activity," says Senator Carl Levin (D-Mich.), subcommittee chairman, "because the small business has the least number of assets with which to satisfy its debts and the smallest operating margin."

## Minority Firms Lose GSA Work

Small and minority firms have been cut out of substantial subcontracting business with the General Services Administration, according to a suit filed in U.S. District Court in the District of Columbia by Representative Parren Mitchell (D-Md.). The suit says GSA awarded more than $300 million in 42 contracts without including a requirement that the prime contractor subcontract some of the work to small and minority firms.

At a recent House Small Business subcommittee hearing, GSA officials testified that only seven contracts did not comply with the law; the agency is considering recall or renegotiation of those seven. □



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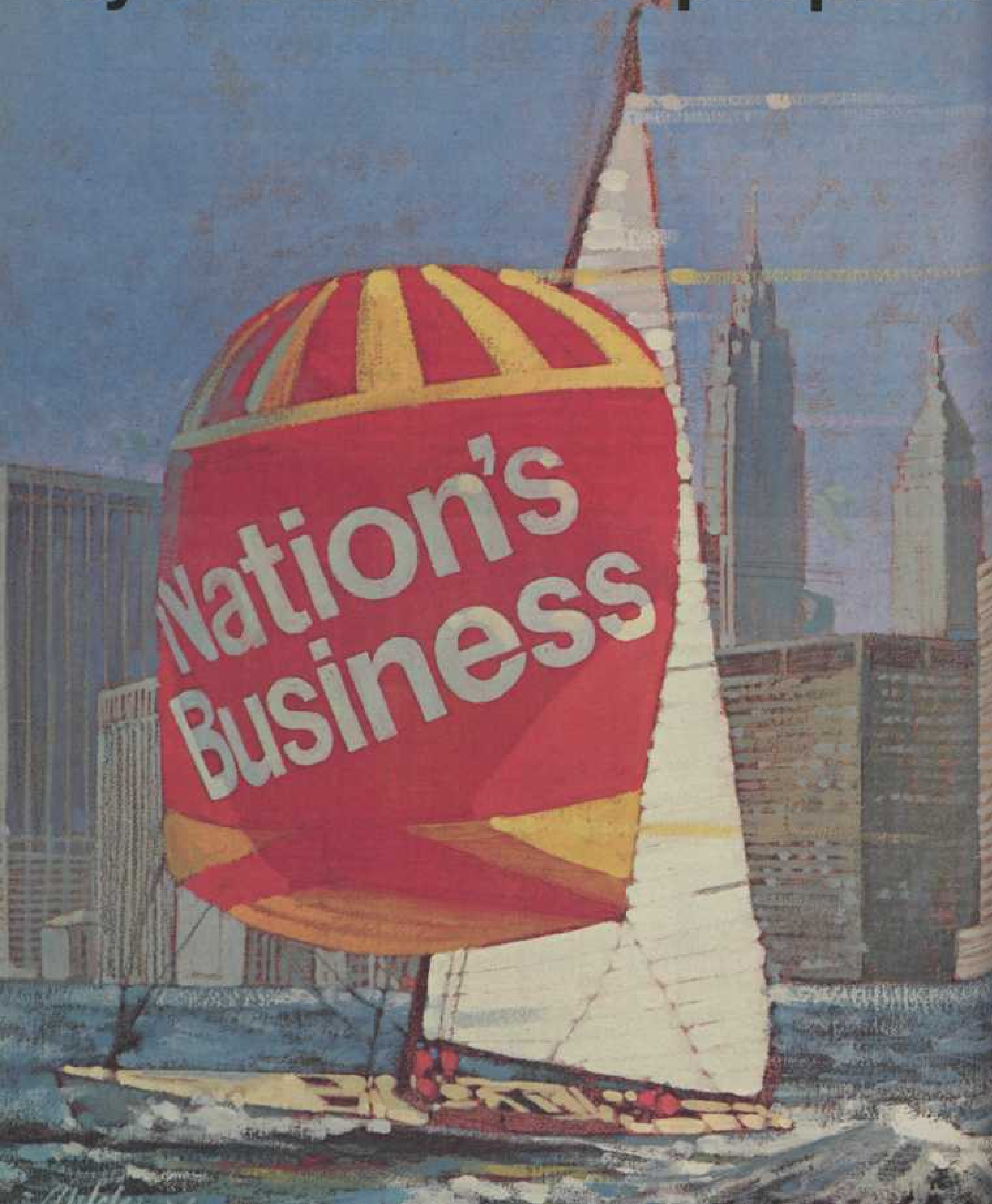






# Where the Jobs Are

By Mary Tuthill

WHILE unemployment lines lengthen and presidential candidates talk about ways to shorten them, many well-paid jobs in America go unfilled for lack of qualified applicants. Many of these job openings are in fields that will provide the greatest employment opportunities in the next 10 years. Where will these opportunities of the '80s be?

Engineers, secretaries, health care administrators, medical technicians and computer specialists will be among those for whom there will be plenty of openings. For example, Standard Oil Company of California finds petroleum engineers hard to get, even at a starting salary of $36,000. And Sheldon Davis, vice president for personnel at Digital Equipment Corporation in Maynard, Mass., says, "Someone who has mastered several computer languages can start at $20,000 and go on from there."

Employment in almost all occupations is expected to increase at a rate of about 21 percent in the next decade. Some occupations, however, are expected to grow at least 50 percent. They include bank clerks and officers, financial managers, business machine repairers, computer service technicians, dental assistants and hygienists, flight attendants, guards, landscape architects, nurses, podiatrists, therapists and travel agents. In other fields, the picture will be very different.

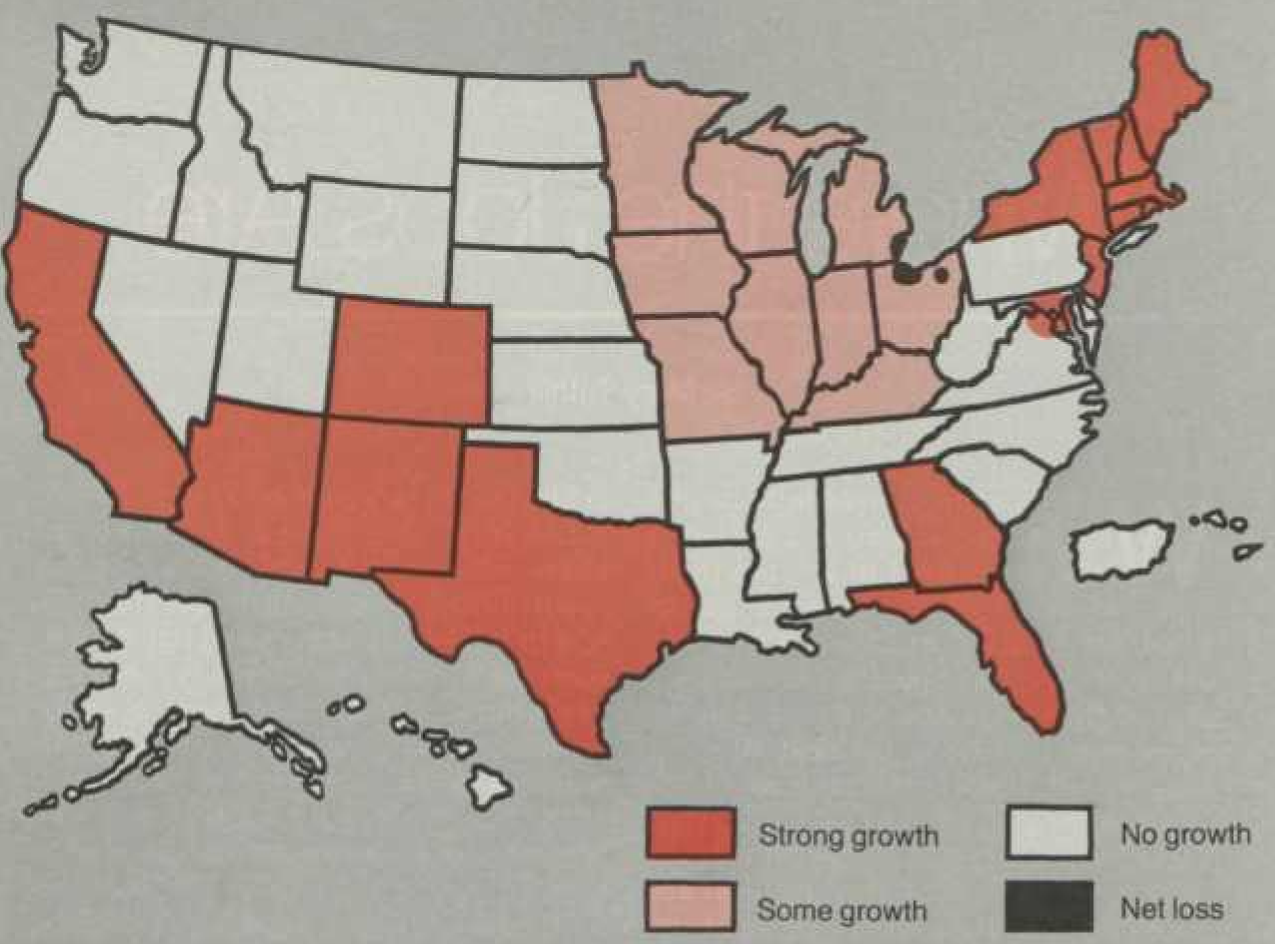
Lawyers, biologists and oceanographers will face stiff competition, and job opportunities for keypunch operators, research workers, teachers and bakers will continue to decrease. However, the lawyer who is willing to move to a small town or suburb may do very well, and teachers in the rapidly developing areas of the Southwest will have the edge over those seeking classrooms in the Northeast.

"If you are willing to go where the jobs are, there is usually no trouble getting a job in your college major or a related field," says Harold P. Fowler, associate director of the University of Michigan career planning and placement office. Experts agree that whether you are a graduate just entering the job market or someone considering a change of job or a second career, flexibility is a major asset. The individual who has acquired a broad range of skills—either through formal training or on-the-job experience—and who is mobile will win in the job hunt.

There are no crystal balls, but *The Occupational Outlook Handbook*, published every two years by the Department of Labor, forecasts probable changes for the next 10 years in each of 250 occupations regularly monitored by the Bureau of Labor Statistics. The department's predictions are based on the assumptions that

PHOTOS: CLOCKWISE FROM TOP LEFT: WIL BLANCHE—DPI; KEN BIGGS—DPI; ERIC MEOLA; RHODA SYDNEY—DPI; ROBERT ISEAR—DPI

## Growth and Loss




there will be no war; that unemployment, now in the 8 percent range, will drop, reaching 4.9 percent in 1985 and 4.5 percent in 1990; and that there will be no significant changes in our system of government or our basic social values.

However, David E. Strachan, executive vice president of the National Association of Personnel Consultants, says, "I'm not convinced that anyone can address with any certainty where the economy is going long-term, and therefore where the job market is headed. It's all a product of the economy, and the demand for certain types of jobs is cyclical."

Nevertheless, the *Handbook* remains a good guide for career planning, and all 150,000 copies of the 1980-1981 edition are already sold out. "In the last five years schools have started making much better use of the *Handbook*," says Kathy Cockrill, a career education specialist with Virginia's Fairfax County school system. "But," she adds, "schools still need to make more and better use of the information available to them in the *Handbook* and from the business community in guiding students."

While the job outlook is only one factor to consider in planning a career, it should not be overlooked. The number of workers employed in any job depends on the demand for the goods and services provided by those workers. Thus, the number of carpenters increased during the mid-1970s because so many new houses were built. And during the same period, jobs for shoe repairers decreased because so many people threw their worn shoes away rather than have them repaired.

However, changes in technology have brought about exceptions. While more books are being bound now than ever before, job opportunities in binderies are limited because mechanized bookbinding has reduced the need for workers. Employment also has been affected by changes in business practices. Despite heavy use of credit by consumers, employment of credit managers has declined because retailers have centralized credit operations.

The increased number of Americans jogging and playing tennis, as well as the growing number of elderly, are credited with causing increased demand for foot care. The nation's five podiatric colleges have nearly doubled enrollment in the last five years. The American Podiatry Association says the schools are now filled to capacity.

Rate of growth, of course, is only one indicator of future job prospects. Since more jobs become available because working people leave the labor force than because of economic growth, many widely held occupations that are growing slowly will actually offer more jobs than small, fast-growing fields. Occupations where a high rate of turnover will continue to provide many job openings include retail sales workers, cashiers, bookkeeping workers, accountants and real estate brokers.

But not everyone agrees with all of the Labor Department's predictions. Amitai Etzioni, a former senior adviser in the Carter White House who developed a much-debated thesis that America is due to undergo a process of reindustrialization, thinks the effect of rebuilding industry on the job market has been overlooked. Etzioni, now a

professor at George Washington University and head of the Center for Policy Research, fears that many will prepare themselves in college for jobs such as teaching, where there is already a surplus, and look down on

**Projected Population Gains 1980-1990**

| LEADERS | % | LAGGARDS | % |
|---|---|---|---|
| Florida | 27.1 | Dist. of Col. | −5.0 |
| Arizona | 27.0 | New York | 0.5 |
| Colorado | 20.8 | Ohio | 2.3 |
| Nevada | 20.8 | Pennsylvania | 2.6 |
| Alaska | 19.2 | Illinois | 3.6 |
| Utah | 18.9 | Indiana | 4.2 |
| Idaho | 18.8 | Connecticut | 4.7 |
| New Mexico | 17.4 | Iowa | 4.8 |
| Texas | 16.3 | S. Dakota | 4.9 |
| Wyoming | 16.2 | Kansas | 5.4 |

Source: Census Bureau

blue-collar jobs. Yet, he says, blue-collar jobs will be plentiful and well-paid during the next decade—a decade, he says, in which the country must upgrade its heavy industry and transportation system.

"We will desperately need both the highly skilled and blue-collar workers," says Etzioni. "Where you get into trouble is in thinking that everything is going to be done by computers. It is one of the big exaggerations." And, he points out, many blue-collar jobs already pay more than white-collar ones, especially blue-collar jobs related to energy. For instance, an experienced coal miner can make $10.60 an hour. "Perhaps," Etzioni says, "mothers who once bragged about 'my son, the doctor' will have to learn to one-up their Mah-Jongg partners with payroll news about 'my son, the coal miner.'"

A breakdown of the outlook by job category:

## HIGH TECHNOLOGY

Computer science should remain one of the hottest job areas well into the future. "There are shortages all over the lot," says Betty Vetter, executive director of the Scientific Manpower Commission. "The uses of computers are expanding more rapidly than the schools are producing graduates to fill the openings." Although there will be openings at all levels—repair, programing and design—she says there is a desperate need for Ph.D.s to teach computer science. But, she says, there is little incentive for anyone to invest the time and money in acquiring a Ph.D. when the time could be spent working in the computer field and earning a salary frequently higher than that paid by colleges to those with Ph.D.s.

"There is going to be an explosive need for programers," says Sheldon Davis at Digital Equipment Corporation. And, as computer use expands into almost every occupational field, computer programers with a broad background in another field such as medicine, accounting or engineering will be able to write their own tickets.

While increased application of high technology is expected to provide jobs throughout the country, there will continue to be heavy concentrations in some areas. Edward Bandtlow, executive vice president of Performance Dynamics and president of Robert Jameson Associates, which help executives to find jobs and help corporations to find jobs for displaced executives, says New England, California and Texas will continue as major centers.

## BUSINESS MANAGEMENT

"Over the next five to 10 years there will be major opportunities where the major challenges lie in our economy: productivity in manufacturing and in service industries," says Mrs. Pearl Meyer, executive consultant at Handy Associates, Inc., New York executive search and compensation consultants.

Salaries, she says, are high for managers in the employe benefits and industrial relations areas because "there is a serious lack of trained talent in both of these fields."

The MBA is considered by some to be little short of a passport to career advancement. However, Arthur Letcher, director of graduate corporate placement for the Wharton School at the University of Pennsylvania, says that will depend to a large extent on the individual having "some other experience that is functional and technical. The demand is for people who can make an immediate contribution to the organization."

He sees the greatest opportunities occurring in expanding companies, especially those moving into international markets. At the same time, he says, California will continue rapid growth, while growth will remain steady in such areas as Chicago, St. Louis and

much of Texas. Consultants of all types, he predicts, will be in even greater demand than now. Also in increasing demand are executives with training in labor, industrial and government relations.

## HEALTH CARE

The field of medicine will continue to provide new occupational outlets. There are now more than 4.5 million workers in health-related fields, only 38 percent of whom are doctors and nurses. The remainder are in the growing classification of allied health professionals, a broad category that includes respiratory therapy workers; electrocardiograph technicians; emergency medical technicians; laboratory, X-ray and operating room technicians, and practical nurses.

Dr. Patrick J. McDonough, associate executive vice president of the American Personnel and Guidance Association, thinks that health care will be one of the bigger job markets in the 1980s. He says that because this will be in part the result of an aging population, job opportunities "will be especially plentiful in the sun belt area. That's my own Ouija Board projection." And most of the highly technical jobs, says the Labor Department, will be centered in the hospitals of major cities.

"At present there is an acute shortage of respiratory therapists, audiologists, occupational and physical therapists, and radiation therapists," says Richard J. Dowling, executive director of the American Society of Allied Health Professions.

Physicians, at the top of the pay scale, are not expected to have any difficulty in establishing a practice. The Labor Department predicts that there will be openings for approximately 19,000 new physicians each year in the next decade. Despite our aging population, Dr. Leonard D. Fenninger, group vice president for medical education at the American Medical Association, does not predict an overwhelming demand for gerontologists.

"First of all," he says, "the need will be for generally prepared internists and generalists."

The outlook is also bright for dental assistants, as dentists make increased use of them in their practices. The Labor Department forecasts that 11,000 dental assistant positions will open up each year through 1990, a greater number than the projected 5,500 yearly openings predicted for dentists.

## ENGINEERING

The entire field of engineering is expected to experience faster than average growth in the next decade, with 46,500 openings for new engineers each year. The Bureau of Labor Statistics says that the greatest number of job openings will be for electrical, industrial, civil, mechanical, and aerospace engineers. By field, growth is expected to be particularly strong in energy-related areas, chemical and environmental engineering. According to a survey by The National Society of Professional Engineers, the top salaries, both for new graduates and for experienced engineers with management experience, now are in the field of petroleum engineering. Chemical engineering and mechanical engineering jobs are also offering premium pay to those fresh out of college.

As industry moves southward and westward, employment opportunities will be created. "I expect Denver to become a boom town," says executive placement expert Bandtlow. "Energy will be the big thing, with some light industry."

## SCIENCE

"The job market will be good for geologists," says Betty Vetter, "particularly those in petroleum geology." Chemistry, she says, continues to be a good field, and since there is no longer the big oversupply of physicists that there was a few years ago, job prospects there have greatly improved.

Astronomers, however, will find little chance for employment, and the biology field is overcrowded. Science students, Vetter advises, particularly those seeking careers in already crowded occupations, should broaden their career choices by developing additional skills, perhaps in a related field, and by learning to write well. "The biology major who can write and can't find exactly the job anticipated might get a job writing environmental impact statements or other science-related material instead of ending up in a lab analyzing urine samples for the rest of his life," she says.

## LAW

The next decade will see about 37,000 openings per year for lawyers as a result of increased population, business activity and government regulation.

"It's an expanding market," says Richard S. Collins, a spokesman for the American Bar Association. "Young lawyers are not causing the litigation explosion—they are responding to it. There are new areas of law, such as environmental law, that weren't dreamed of 20 years ago."

Nevertheless, he says, "There is no question that there are a large number of students in the country's law schools, and more law schools are being accredited by the ABA every day, so competition will be tight."

Salaries vary widely, but the top jobs at the top salaries will go to the top students from the top schools. Bidding for the cream of the student crop, Collins says, is one of the strongest influences over lawyers' salaries. "For example, a Wall Street law firm recently hired the five top kids out of Harvard Law School. The firm's senior partner was asked at a social gathering how much they had cost him. The price was $1.25 million. When asked why so much, the senior partner explained that the five students received $30,000 each, but he also had to give everybody else in the firm a raise as well. That's the kind of pressure being felt in the legal profession—and most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other professions, too." Opportunities for top law students will exist across the country, particularly in the big cities, but for those farther down the ladder, competition will be tough and opportunities will be better in small towns and suburbs.

## BANKING AND FINANCE

Job opportunities in banking, from clerks to officers and managers, are expected to grow more rapidly than usual because banks are expanding their services, and increased use of computers has added to the need for trained executives. Opportunities will be good for college graduates to enter training programs with salaries in the $12,000 a year range.

But in the securities industry, a spokesman for Merrill, Lynch, Pierce, Fenner & Smith says, "We rarely take collegians, although we are constantly on the lookout for the superachiever." Jobs generally open up, he says, as a result of firms expanding into new markets, and they are usually filled by people who "migrate from other brokerage firms or industry." At the same time, there are good opportunities for stock analysts to move into industry. Corporations often find that a drug analyst from a brokerage firm, for example, may know more about competition in the drug industry than many drug executives do.

## SALES

Sales occupations of all types are expected to provide an increasing number of jobs in the coming decade, including an annual need for 226,000 retail sales workers, 50,000 real estate agents and brokers, 40,000 wholesalers and 21,700 manufacturers' representatives.

The top salaries will go to the superstars in the field: the merchandising executives who can give a store directional impact; real estate executives who can zero in on the most strategic store sites, and marketing or sales promotion experts. It is not unusual for such an executive to be paid $175,000 a year.

## EDUCATION

Jobs for kindergarten and elementary school teachers are expected to grow at about the average rate.

At the secondary school level, competition for jobs will be keen, but those qualified to teach special education, vocational subjects, mathematics and the natural and physical sciences will find more favorable job opportunities.

The outlook is not bright for college and university faculty members during the next decade, because of both decreasing enrollments and budgetary constraints. But, looking farther ahead, there is a bright spot, says Irving J. Spitzberg, Jr., general secretary of the American Association of University Professors. "The majority of current faculty is in the 40 to 50 age group, which means that around 1990 a massive turnover will begin to occur across the country."

## GOVERNMENT

Government, a major provider of jobs in the fields already mentioned and many others during the 1960s, seems to have leveled off during the 1970s and can no longer be considered a growth industry for the 1980s. A reduction in jobs financed by Congress through Labor Department manpower programs for the chronically jobless has slowed state and local employment growth. Federal hiring also has been affected by budget cuts.

In general, Labor Department statistics show that those seeking careers in the 1980s should face a less crowded job market because a drop in the birthrate will mean fewer youths entering the labor force. But James Hayes, president of American Management Associations, sees plenty of competition for jobs.

Our current aging population, he says, is the same group that was responsible for the baby boom, made more elementary and secondary school classrooms necessary, filled our colleges and increased the demand for housing. "They have the votes," says Hayes, "and no politician can ignore them and survive. They will be a new pressure group, and no one will be able to say, 'Here's your Social Security check, now shut up.' They want jobs, second careers, job continuance, part-time work." These, he says, are going to be major issues in the next 10 years, as older workers compete with those entering the job market. □

*To order reprints of this article, see page 39.*

## Winning Ticket

In today's fiercely competitive job market, where success is often measured by the starting salary and the fastest route to the top, single undergraduate degrees are out; combinations—virtually anything paired with a master's in business administration—are in. And according to a broad sampling of people who ought to know, the golden combination is a bachelor's in liberal arts paired with an MBA from either Harvard or Stanford.

"There you have my perfect person," says Pearl Meyer, executive consultant at Handy Associates, Inc., a New York executive search and compensation consulting firm. Robert Ginn, director of Harvard's Office of Career Services, estimates that about 500 men and women enter the job market each year with the "perfect combination." "Historically," he says, "they seem to experience the most rapid growth in salary." Their starting pay: between $35,000 and $40,000.

The value in an MBA-liberal arts combination is the range of skills it provides, according to business recruiters and educators alike. Liberal arts teaches how to grasp abstract concepts, think on your feet, articulate ideas and write. "It also provides the information needed to understand human achievement," says Ginn. The MBA degree provides the actual tools required to perform the most challenging jobs in the business world.

For the person who desires the means to live more than just comfortably, let's say, lavishly, the golden combination is a medical degree backed by an MBA from one of the Ivy League business schools. "The potential lifetime earnings would be a minimum of $5 million," says Harvard's Ginn.

An MBA matched with a four-year technical degree may be the "most lucrative," says Irving J. Spitzberg, Jr., general secretary of the American Association of University Professors. "But what you have is the world's biggest bore."

Broaden the definition of success to include quality of life, he adds, and the MBA-liberal arts combination emerges as the best match.

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# STRIKE
## Halting Public Union Walkouts

By Barry Crickmer

It was just after 10 on a hot, muggy midsummer night in Memphis, Tenn., when a fire broke out in Howard Fulenwider's music store. It spread inexorably through the office and to his living quarters above. One fire truck responded to the frantic calls for help and tried—unsuccessfully—to put out the flames. Other firemen arrived too, but they merely watched as Fulenwider's business and home burned to the ground. It was July, 1978, and Memphis' firefighters were on strike.

Fulenwider's misfortune is a dramatic example of what can happen when public servants—federal, state and local government employes—stop work. And the incident is not isolated. In Dayton, Ohio, striking firefighters not only refused to work in 1977 but also tried to discourage firefighters from outside the city from helping when fires broke out; two dozen buildings burned, leaving 30 families homeless. And in New Orleans, a police strike cost the merchants an estimated $9.5 million in lost Mardi Gras business in early 1979.

Such incidents lead, of course, to the question of whether public employes—particularly those responsible for public safety—have the right to strike. There are two schools of thought on that. The hard-liners insist that no subgroup in a democracy can be allowed to enforce its will on the majority. And that's what happens, they say, when a union is permitted to withhold essential public services. Others say that labor relations in the public sector are much like those elsewhere and should be handled the same way. The unions are among the latter group, having adopted as their number one legislative priority the passage of a federal law compelling all levels of government to bargain collectively with their employes under the terms of the National Labor Relations Act.

Certainly, the public sector is experiencing its share of strikes. The latest figures from the U.S. Bureau of Labor Statistics show a record 545 work stoppages in the public sector for 1979. Teacher strikes alone numbered 242 for the 1979-80 school year, according to the National Education Association. And state officials expect even more trouble this fall at schools in Colorado, Illinois, Indiana, Minnesota, Missouri, New Jersey, New York, Ohio, Pennsylvania, Vermont and West Virginia.

As public employes push for higher salaries and benefits and union recognition, elected officials are studying and experimenting with various methods of grappling with their labor problems. Some governments flatly forbid any formal negotiations with employe groups. Other governments are agreeing to collective bargaining—it is required by law for all government employes in 21 states—and some are even allowing strikes. And legal experts are watching a recent phenomenon—the private lawsuit against unions for damages due to strikes. For example, Fulenwider is suing the firefighters' union for close to $2 million.

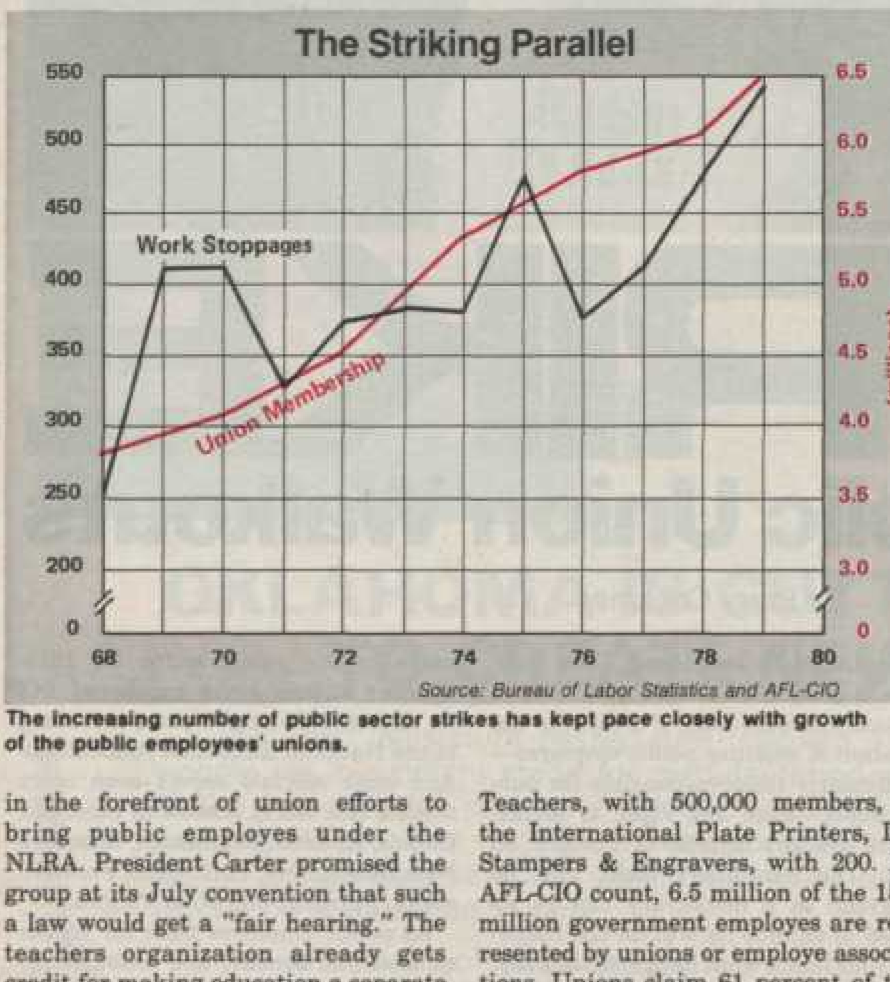
Collective bargaining laws for public

employes have spread steadily since the first was enacted by Wisconsin in 1959; 37 states now have either laws or executive orders requiring some form of bargaining with at least some of their employes. At the federal level, President Kennedy issued an executive order in 1961 permitting unions to organize most civilian federal employes—intelligence, security, investigative, audit and foreign service employes were excluded. That order was superseded by the Civil Service Reform Act of 1978. No federal employe is permitted to strike.

The NEA, with its 1.8 million members and $71 million annual budget, is in the forefront of union efforts to bring public employes under the NLRA. President Carter promised the group at its July convention that such a law would get a "fair hearing." The teachers organization already gets credit for making education a separate cabinet department. Regarded as a growing political force, it had more than 460 delegates and alternates to the Democratic National Convention in New York, compared to 25 at the Republican.

Next in size to the NEA, and a rival in activism, is the American Federation of State, County and Municipal Employees, an affiliate of the AFL-CIO. AFSCME was until recently the fastest-growing union in the labor federation, having jumped in membership from more than 230,000 in 1964 to more than 1.2 million today. Familiar to many Americans through its aggressive television advertising campaign, budgeted at more than $2 million this year, it is also notable as the union that struck Detroit just before the Republican convention. In addition to mandatory collective bargaining, AFSCME demands "mandatory controls—immediately—on every aspect of the economy, profits and interest rates included."

After AFSCME come the four unions representing the 600,000 or so postal workers. The AFL-CIO counts 35 national unions associated with its Public Employee Department, ranging from the American Federation of Teachers, with 500,000 members, to the International Plate Printers, Die Stampers & Engravers, with 200. By AFL-CIO count, 6.5 million of the 15.5 million government employes are represented by unions or employe associations. Unions claim 61 percent of the federal work force, 37.7 percent of the state and 51.5 percent of the local.




**The increasing number of public sector strikes has kept pace closely with growth of the public employees' unions.**

MEMBERSHIP in the public sector unions grew rapidly in the 1960s, with a strong boost from the opening up of the federal work force by Kennedy's order. Now, however, it may be leveling off. "I think it's stabilizing," says John McCart, executive director of the AFL-CIO's Public Employee Department. "The growth continues, but the rate is declining." Reasons include: local budget cuts, a rightward shift in the public mood, declining school enrollment and the fact that there are few easily organized targets remaining.

Stabilization in growth, however, does not suggest any lessening of activism. It may foretell the reverse. The Service Employees International Union, AFL-CIO, predicts that "confrontation will characterize public sector labor relations" and that "strikes, though perhaps less frequent, will be more severe." Jerry Wurf, president of AFSCME, adds: "I look over the public service landscape, and I'm hard pressed to find a place where public employes aren't up against one politically motivated assault or another."

The union solution for avoiding strikes is to establish formal collective bargaining agreements. (However, the late George Meany, long-time head of the AFL-CIO, stated flatly in 1955: "It is impossible to bargain collectively with the government.") AFSCME's Wurf acknowledges that police officers and firefighters should not be allowed to strike, but he conditions that prohibition on the availability of an "alternative mechanism" such as mandatory arbitration. W. Howard McLennan, president of the AFL-CIO Public Employee Department, says "not a single firefighter strike ... has occurred in the 22 states that have adopted binding arbitration laws." At the same time, he insists: "History teaches that laws prohibiting strikes have never worked in America."

Whether collective bargaining will in fact prevent public strikes is an open question. A statistical study commissioned by the Public Service Research Council concludes that "with only two exceptions, Florida and Iowa, the passage of a bargaining law did not result in an overall reduction in strike activity.... In most cases, strike activity was notably higher in the period following legislation." (The council, headquartered in the Washington suburb of Vienna, Va., describes itself as "an independent organization devoted to nonpartisan research and education about public sector unionism and its effects upon the nation's governmental institutions." It is regarded by the unions as a right-wing nuisance.) McCart of the AFL-CIO disagrees with the conclusions of the PSRC study and says his Public Employee Department is doing a counteranalysis.

A close look at 1978 strike statistics (1979 data are still incomplete) reveals that the game is one of definitions, since the states provide varying degrees of collective bargaining for vari-

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ous classes of employes. For example, the AFL-CIO lists 21 states "which have adopted comprehensive bargaining laws covering all state and local government workers." They are Alaska, Connecticut, Delaware, Florida, Hawaii, Iowa, Massachusetts, Minnesota, Montana, Nebraska, New Hampshire, New Jersey, New York, North Dakota, Oregon, Pennsylvania, Rhode Island, South Dakota, Vermont, Washington and Wisconsin.

According to the Bureau of Labor Statistics, those states had 179 public work stoppages in 1978, an average of 8.5 per state. The remaining states—a mixed bag of some bargaining and no bargaining—had 302 stoppages, or 10.4 per state. But if just one state—Michigan—is moved from the nonbargaining to the bargaining column, the picture changes completely. The average is then 11.5 strikes for the bargaining states, against 8.1 for the others. This reversal occurs because Michigan had 74 public sector strikes in 1978, more than any other state.

Why count Michigan as a bargaining state? Because a 1965 law permits collective bargaining for all public workers in the state, except state employes covered by civil service, who constitute only 13 percent of the total. Further, more of Michigan's governmental units are bargaining with their employes than is the case in 17 of the 21 states on the AFL-CIO's list.

The same point could be made about several of the other states counted as nonbargaining.

The 1978 statistics also show that the three states with strong prohibitions against collective bargaining—North Carolina, Texas and Virginia—had only 10 work stoppages, an average of 3.3 each. The nine states that permit strikes by some classes of public employes—Alaska, Hawaii, Idaho, Minnesota, Montana, Oregon, Pennsylvania, Vermont and Wisconsin—averaged 10.6 strikes each. Finally, the seven states with mandatory penalties for prohibited strikes—Delaware, Georgia, Indiana, Maryland, Minnesota, New York and Oklahoma—averaged 7.3 strikes each. However the figures are added up, they do not demonstrate conclusively that a comprehensive collective bargaining law brings forth an era of labor peace.

QUITE THE REVERSE, says David Denholm, president of the Public Service Research Council, for two reasons: First, to win a representation election, a union has to convince the employes that they have a grievance against their employer. And second, to justify its continuing usefulness, the union has to demonstrate that it gets for its members more than the employer wants to give. Certainly, absent a few blips, the growth of public sector work stoppages over the past 10 years correlates closely with the growth of public employe union membership.

Can public labor relations be based on the private-sector model? Many on both sides think so. Proponents of bargaining laws assert that strikes are counterproductive and that the unions are aware of this. Unions allege most strikes are provoked by public officials who need a dragon to slay to win votes. Public officials say they are caused by union officials seeking votes in union elections. Both camps agree that a strike usually sours the public on the union.

"If, like their private counterparts, public sector unions win some and lose some," then they are not all-powerful, says Sanford Cohen, a University of New Mexico economics professor, in the *Industrial & Labor Relations Review*. In the early days of public sector union activism, he says, a frightened public "understandably pressured its elected officials to deal effectively with what it perceived as emergencies—in other words, to settle the strike." Now, however, "the public is much less likely to panic in the face of service interruptions, and public officials are less

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The Transport Workers Union is being sued for $500 million for the New York transit strike last April.

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**“Confrontation will characterize public sector labor relations, and strikes, though perhaps less frequent, will be more severe.”**

reluctant to take tough bargaining stances. . . ."

Roger Dahl, director of the labor-management relations service of the U.S. Conference of Mayors, agrees. "A city that's prepared can handle a strike," he says. "Public sector management is getting more sophisticated about labor relations." Several major state associations of public officials have actually passed resolutions expressing a preference for allowing unions to strike rather than requiring that contract terms be settled by arbitration. This kind of arbitration—called "interest arbitration"—is formally opposed by the American Association of School Administrators, the National Association of Counties, the National League of Cities, the National School Boards Association and the U.S. Conference of Mayors. Public officials dislike interest arbitration because they feel it delegates to the arbitrator legislative and policymaking powers that belong solely to the duly elected and appointed representatives of the people.

THIS POTENTIAL conflict with the principles of representative democracy also worries Robert S. Summers, a professor of law at Cornell University. "The essentially nondemocratic and antidemocratic character of public sector bargaining is, in substantial measure, inherent," he says, because "public sector bargaining laws set up private power centers to countervail public democratic functionaries such as school boards and city councils." When an arbitrator decides policy, he points out, the relevant public officials "do not even exercise authority to codetermine the outcome (except insofar as they present their case)." Legislators "thought they were merely extending collective bargaining from the private sector to the public sector," he says. "They didn't really see that what that involves is a substantial redistribution of law-making power."

Denholm of the research council also opposes arbitration. "It's a no-lose situation for the unions," he says. "They may not get more, but they can't get less." How, then, should public strikes be handled? "Jail doesn't work," says Denholm. "You just make martyrs of the jailed leaders. Fines don't work. There are a couple of things that do work: automatic decertification of the union and automatic dismissal of the strikers with a prohibition on rehiring them for a fixed span of time." Penalties must be mandatory, he adds, because "the unions go into every strike on the assumption of amnesty."

One way not to handle a strike, says Dahl, is for management "to up the ante when one occurs." To avoid strikes, he suggests local referenda,

Bicycles were popular during the New York transit strike.

fact-finding, mediation and voluntary arbitration.

And if a strike is not avoided, one penalty gaining favor is the private lawsuit. An interesting use of this remedy occurred in San Francisco in 1975 when all the municipal unions struck at once and Mayor Joseph Alioto—highly sympathetic to organized labor—refused to try to force them back to work.

The local chamber of commerce obtained an injunction requiring the mayor to end the strike, which was in violation of California law. When the injunction was ignored, Chamber President William Dauer secured a contempt-of-court citation and personally served it on the mayor and chief of police. After a telephone conversation with the judge who signed the contempt notice, the mayor ordered his city employes back to work.

More common is the private suit for damages resulting from a strike by public employes.

Seven Dayton property owners sued the firefighters' union for damage resulting from the 1977 strike there, but were awarded relatively small sums—$48,378 compensatory and $25,000 punitive. The union appealed, then settled out of court before the appeal was heard. A group of New Orleans citizens is seeking $30 million in damages from the Teamsters for the public strike there. And in New York City, a $500 million suit has been filed against the transit workers over their strike last April.

The leading suit, however, is Howard Fulenwider's. The Memphis businessman who lost his home and office during the 1978 firefighters strike is seeking $1.8 million in compensatory and punitive damages.

The Firefighters Association Local Union 1784 sought dismissal on grounds that Fulenwider has no basis for his claim. The trial judge disagreed, and his decision was appealed. A court of appeals ruled out breach of contract and negligence, but held "that Fulenwider's complaint states a claim in nuisance upon which relief may be granted," and remanded the case for trial.

"We do not hold that unions have no liability to anyone," the court stated. "They have the same responsibility that other individuals, corporations and associations have to individual members of the public. That is to say, they have the responsibility not to create a nuisance." □


# Pro-Business Congress May Come to Washington

By Vernon Louviere

IS A PRO-BUSINESS Congress in the making? That likelihood is becoming increasingly stronger as the November elections approach. In fact, there are clear signs that more and more voters are anxious and ready to blame the liberal members of Congress, as well as the White House, for the sad state of the nation's affairs.

During the past quarter of a century, Congress has been dominated by the liberals and by policies that have not been generally regarded as friendly to business. If indeed the electorate is becoming more conservative, as many polls and other indicators suggest, the expectation is that the complexion of Congress will change when voters go to the polls on November 4 to elect a President, all 435 members of the House of Representatives and a third—34 members—of the Senate.

The role of the business community in actively working to elect a pro-business Congress, or at least narrowing the gulf that separates the liberals


from the conservatives, will doubtless be felt in this election. Business people have shed their cloak of timidity and are speaking out on the issues and candidates. The support of pro-business candidates today is broad-based, as shown by the proliferation of business-oriented political action committees. While they have severe limitations on how much money can be spent, PACs can tilt close elections by targeting financial help to specific candidates. Business PACs now far outnumber those of organized labor, which originated the concept in the first place and used them exclusively and successfully for so many years.

Obviously, business has a lot at stake in the outcome of the November elections. The kind of political climate business considers essential if the nation is to pull itself out of the current economic slump, and to help restore economic strength and vitality in the critical decade of the 1980s, will be largely determined by the philosophical bent of the men and women who make our laws in Congress.

For example, one of our most persistent national problems is what to do about energy, the lifeblood of the American economy. Despite the efforts of the Carter administration and Congress, conservatives still do not believe the nation has, by any acceptable yardstick, a sound and workable energy policy. Every attempt to let the free market determine the price of energy produced in this country has been thwarted or delayed, they contend. Energy producers and others are convinced that a free market approach is the only answer to greatly increasing market supplies and lessening our dependence on foreign oil.

A SENATE, with a conservative coalition in the majority, would certainly push for economic policies designed to free up energy production. A change in the makeup of the House would heighten the chances for legislation embracing this free market approach.

The environmental movement, which business has long complained imposes unwarranted and expensive burdens on its operations, would be throttled down under a more conservatively oriented Congress. Since the Senate is more environmentally minded than the House, the impact would be more readily felt with the shift of several key seats.

For one of the few times in the generation since the Republicans last enjoyed a congressional majority—the first two years of the Eisenhower administration—the Grand Old Party, which is generally viewed as more conservative and pro-business, has a good chance of recapturing the Senate and increasing its numerical strength in the House. A Harris poll released in July showed Republicans winning both houses, a circumstance that GOP realists don't actually expect to occur. A Gallup poll, released in early August,

showed the Democrats with a 57-to-43 percent advantage in the House of Representative races.

Even if the Republicans do not win the Senate (they must pick up 10 seats to do so), a gain of only half this number would produce an effective conservative or pro-business majority because four or five conservative Democrats usually can be counted on to vote with the Republicans. Senate Majority Leader Robert Byrd of West Virginia says that kind of GOP control is both "realistic and conceivable."

A Republican victory in the House is far more elusive, although the prospects for a "philosophical" gain of at least 30 seats is highly likely. This is where both Democrats and Republicans could be expected to vote favorably on pro-business issues most of the time. Even today, with the edge in the House standing at 275-160, the Democrats have gradually moved away from rigidly New Deal liberal positions of a few years back, reflecting their perception of shifting attitudes of the people back home.

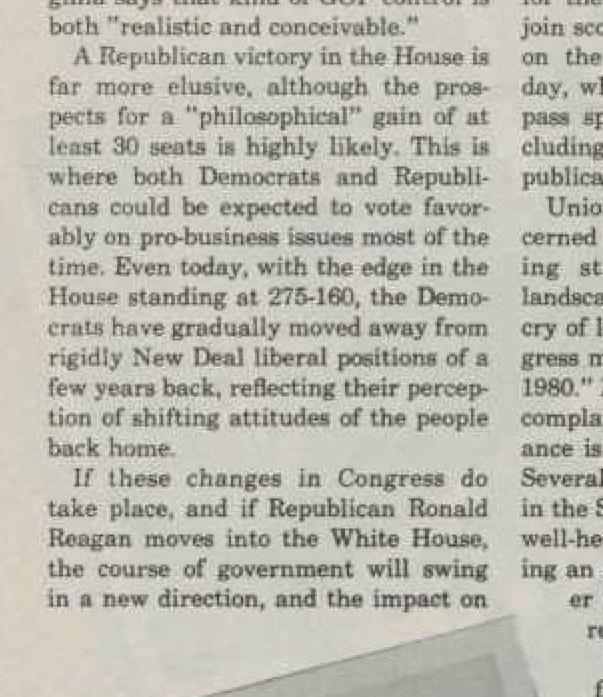
If these changes in Congress do take place, and if Republican Ronald Reagan moves into the White House, the course of government will swing in a new direction, and the impact on national policy will be felt for years.

The Republicans clearly expect Reagan to sweep a number of new Senate and House candidates into office on his coattails as well as to help retain Republican incumbents. Unlike 1976, when Jimmy Carter and Democratic congressional candidates largely ran independently of one another, Reagan and the GOP congressional hopefuls are telling voters they must win as a team. Part of the party strategy calls for the former California governor to join scores of congressional candidates on the Capitol steps before election day, where they will sign a pledge to pass specific pieces of legislation, including a tax cut, if Reagan and a Republican Congress are elected.

Unions are more than a little concerned that winds of change are blowing strongly across the political landscape. For months, the rallying cry of labor chieftains has been: "Congress must be kept in liberal hands in 1980." In the Senate particularly, they complain that "the present liberal balance is too thin and not dependable." Several of their staunchest supporters in the Senate have been singled out by well-heeled conservative groups waging an all-out campaign to push, rather than nudge, them into forced retirement.

The Republicans have drawn a fine bead on seven liberal Democratic senators whom they claim are out of step not only with the country, but with their own constituents. They are Birch Bayh of Indiana, Mike Gravel of Alaska, George McGovern of South Dakota, John Culver of Iowa, Frank Church of Idaho, John Durkin of New Hampshire and Gary Hart of Colorado.

Buoying GOP hopes for a Senate takeover is the fact that the party in just the past four years has boosted the number of seats it holds in states west of the Mississippi from 19 to 25. Also, in the most recent Senate elections in Indiana, Iowa and New Hampshire, voters ousted liberal Democrats and elected conservative Republicans. These successes, plus the national shift to conservatism, are creating an air of confidence rarely enjoyed by Republicans eager to stake claims on Capitol Hill territory.



Sen. Howard Baker of Tennessee may become Senate majority floor leader.

PHOTOS: DENNIS BRACK—BLACK STAR

Senate finance post may go to Sen. Robert Dole of Kansas.

**R**EPUBLICANS are convinced they are fielding good candidates—many drawn from the business world—this time around. In past elections, the GOP frequently has mounted only token opposition, indicating not only an inability to produce effective competition in congressional races, but showing a failure to encourage business people to run for national office. Republican National Chairman Bill Brock says conditions are so bad now that businessmen and women realize they have to get involved; that means rolling up their sleeves and plunging into the political fray. As one political neophyte told Brock: "I'm in business, and I've decided to go into politics because government now has more say-so than I do on whether I make a profit. I can't stay out any longer. We've got to make some changes."

If, indeed, the Senate does change hands in November, the most immediately visible result would be a total replacement of committee chairmen, some of whom wield enormous power. The changeover would be jolting in some instances—where an ultraconservative such as Strom Thurmond of South Carolina would likely replace liberal Edward Kennedy of Massachusetts as chairman of the Senate Judiciary Committee—while scarcely causing a ripple in others. For example, the Senate Energy and Natural Resources Committee would not measurably alter its ideological course, for example, if Republican Senator Mark Hatfield of Oregon took over from Democratic Senator Henry Jackson of Washington.

In a similar scenario, Republican Senator John Tower of Texas could assume the chairmanship of the Senate Armed Services Committee, long held by Democratic Senator John Stennis of

Mississippi. Since both men support a strong military posture, the committee's direction would hardly change.

In the House, even though the Democrats retain control, one of the most powerful committee chairmen is in jeopardy of losing his seat. A relatively obscure Oregon businessman, who never ran for office before, may topple 24-year veteran Democratic Rep. Al Ullman, chairman of the tax-writing Ways and Means Committee, in the general election. Ullman's Republican opponent is Denny Smith, who in last May's primary out-polled Ullman by 6,530 votes in a state that does not allow cross-over voting. In that election, Ullman barely beat out a Democratic challenger who did virtually no campaigning, spending a mere $3,000 and eschewing all lawn signs, billboards, brochures and radio and television advertising. What happened in Crook County, one of 21 counties in Ullman's district, could be a portent of things to come. Crook is one of only two counties left in the United States that have voted for the winner in every presidential election. In May, Smith polled 1,071 votes and Ullman trailed with 981.

The only Democrat in the top con-

## Helpful Hands

Can business people influence the outcome of congressional elections?

They can and do by supporting House and Senate candidates who espouse positions that are beneficial to business.

The best evidence of this is the string of successes chalked up by the National Chamber Alliance for Politics, an arm of the U.S. Chamber of Commerce, that works closely with the business community throughout the country to rally support for pro-business candidates.

In the 1978 congressional elections, the alliance recommended business participation in 83 close House and Senate races. Alliance-backed candidates won 40 of the 70 House contests and 10 of 13 in the Senate, for a 60 percent win ratio. This year, the alliance is working to help 94 pro-business candidates.

The alliance chooses to enter only what it calls "opportunity races," ones where there is a clear philosophical difference between candidates (and where one of them shares the business viewpoint), the race is expected to be close, and support by the business community is deemed a strong enough factor to elect the candidate who shares the business perspective.

The alliance's goal is not to help elect Democrats or Republicans, but to elect legislators who can be expected to support business objectives, regardless of party.

Business support of these candidates involves more than giving them money, although that is important. Business people help by scheduling personal appearances for the candidate, setting up a campaign organization, selecting the right pollsters and consultants, contacting other business people and in many other areas where the expertise of business is useful.

gressional hierarchy who faces any serious challenge is House Majority Leader Jim Wright of Texas. The 13-term veteran faces former Republican mayor pro tempore Jim Bradshaw of Fort Worth, whose major campaign thrust is that Wright's liberal voting record is out of sync with his conservative constituency.

The unions are properly apprehensive over the future of sacred cow legislation and the name Hatch looms large in whatever concerns are voiced in AFL-CIO executive council sessions. If a Republican majority is elected in the Senate, Senator Orrin Hatch, the Utah Republican, is poised to assume chairmanship of the Labor and Human Resources Committee. One of labor's most reliable supporters, Democratic Senator Harrison A. Williams, Jr., of New Jersey, would be dumped.

Under Senator Hatch, the committee would possibly move for a full airing of the Davis-Bacon Act, possibly resulting in remedial legislation, if not outright repeal of the controversial work law. Business efforts to reform the equally controversial Occupational Safety and Health Act would continue and likely be accelerated. New minimum wage legislation, with a two-tiered system allowing a lower wage for young workers, would have good prospects for passage.

If the November national election doesn't produce the kinds of changes that would benefit business, the results of state elections held on the same day, in which almost 6,000 legislative seats will be determined, can have a significant impact on the makeup of the House of Representatives in 1982. This is the year the results of the decennial census will be announced, the headcount used every 10 years to redraw congressional boundaries.

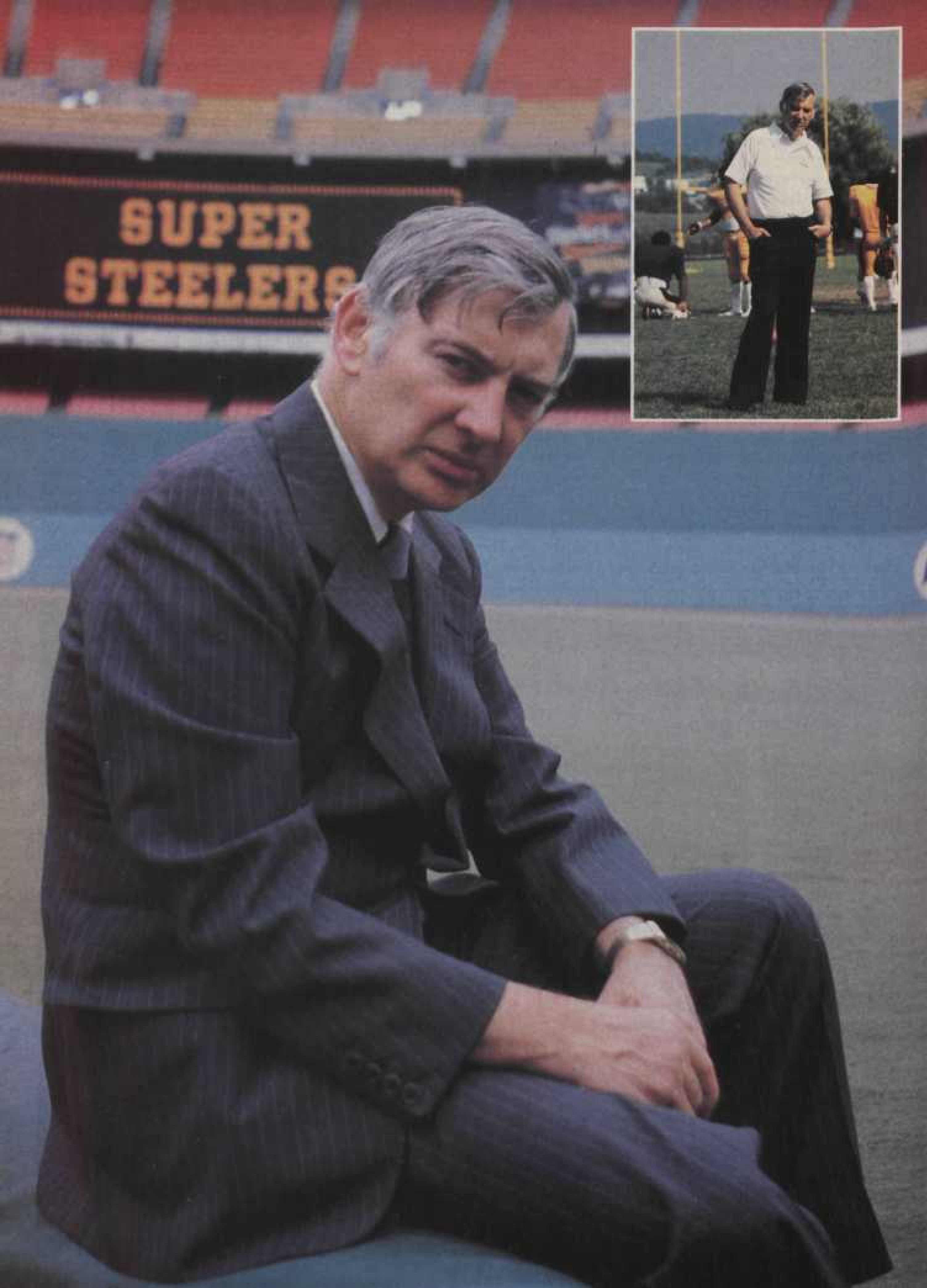
In some states districts will be reshaped, carved up, enlarged and even abolished to reflect changes in America's ever-shifting population. That is a job for the new state legislatures in 1981. Traditionally, Democratic legislative bodies gerrymander congressional districts to favor Democratic candidates and the Republicans do likewise.

The Republicans are determined not to have a repeat of 1960 when they lost 800 state legislators, handing the Democrats the opportunity to boost their strength in the House for the next decade. A further loss of Republican legislative seats in 1970 had the same results in House elections in 1972. "If we're going to be a majority party, we've got to win the reapportionment fight," GOP Chairman Brock says.

It will be an uphill fight. Democrats control 67 of the 98 partisan legislative bodies (Nebraska's legislators carry no party labels). But if the Republicans win 96 more seats this year in the right places—out of 5,917 races—they could control 20 more legislative bodies. A single win in Illinois and Washington, for example, would win two more legislative bodies for the GOP.

Because of huge population losses in some of the big cities of the Northeast and the Midwest, traditionally represented by Democrats, the party will most likely lose some House seats in 1982. Of the 106 congressional districts that have lost population since 1970, virtually all are in urban areas usually represented by Democrats. Conversely, many population increases are occurring in areas traditionally considered Republican strongholds.

It may well be that pro-business candidates will have their best political year since 1952. □


SUPER
STEELERS


# "Our Product Is Winning," Says Pittsburgh's Dan Rooney

By Tony Velocci

THE SETTING: a spartan third-floor dormitory room at St. Vincent's College in Latrobe, Pa., where professional football's reigning champions, the Pittsburgh Steelers, train during the summer. Slouched across the single bed, a rumpled pillow supporting his head, is Dan Rooney, who looks like a '50s college student. An inconspicuous 5 feet 9 inches and 165 pounds, Rooney's only marks of physical distinction are his graying temples. His otherwise boyish face, soft-spoken voice and casual clothes disguise his true age, 48. Rooney, of course, is too old to play for the Steelers; instead, he is the team's president, and he signs the paychecks of such superstars as quarterback Terry Bradshaw, running back Franco Harris, and wide receiver Lynn Swann.

As a competitive organization, the Steelers are about the best in the world. Since 1972, they have dominated pro football, appearing in the playoffs every year and winning the Super Bowl—the nation's ultimate sports spectacle—the past two years, regularly blowing the opposition off the field. Last year, they simply stomped the L.A. Rams, 31 to 19.

In a business characterized by flashy performers and flamboyant owners, Rooney is a private person who rarely steps into the spotlight. When he became president of Pittsburgh Steelers Sports, Inc., in 1975, for example, there was no fanfare. In fact, the only clue to the key administrative change was a skinny line of type in the team's press guide. Under the name Daniel M. Rooney was the word *President*. The appointment was made by his father, Arthur J. Rooney, Sr., one of the patriarchs of American pro football. He is chairman of the board.

"One morning Dad walked into my office and said, 'As of now you're president,' and that was it," he recalls. Actually, Rooney's elevation was more of a verbal transaction than a change of duties. Dan, who literally grew up with the Steelers, had been making most of the team's administrative decisions since becoming vice president, "either in 1966 or 1967, I'm not sure."

Rooney's affability and modesty have become trademarks, but he is perhaps best known throughout professional football for having a major hand in building teams capable of winning championships.

This month the Steelers kick off their 1980 season with the chance to become the first team in pro football to make the playoffs nine straight seasons and the first team to win three straight Super Bowls. (The Steelers have actually won the Super Bowl four times.) "Our product is winning," Rooney says flatly.

An impressive 47 Super Bowl veterans form the basis of a team whose average age is well under 30, making youth one of the club's undisputed strong points. The club has been built almost solely from the college drafts; no Steeler has ever played for another professional team.

Coach Chuck Noll, 48, is usually credited with the Steelers' success. Except for the legendary Vince Lombardi, Noll is the only coach to win five conference championships in the post-World War II era of professional football. Dan Rooney hired Noll in 1969, and set the stage for the dramatic change in the Steelers' image and performance.

"Most owners become consumed by ego-building and get diverted from their principal objective, which is to win football games," says *Pittsburgh Post Gazette* sportswriter Vito Stellino. "But Dan Rooney runs the Steelers like a business—his only business—and his levelheadedness and calm approach to the game underlie the team's success."

FOOTBALL COMMISSIONER Pete Rozelle agrees. "In this business, ego can be a narcotic, and if people have any tendency it's usually to go the other way," he says. "Dan is a rare exception; you just don't run into very many sports figures who have it under control the way he does."

Rooney doesn't seem to mind that his is not exactly a household name, even though his world-famous football team is. In fact, he prefers it that way, whether he's at the Latrobe training camp or at Super Bowl festivities. Following the team's first Super Bowl victory, Rooney was standing in the Steelers' hotel lobby watching arriving reporters shuffle by him and into a room where a press conference was scheduled. He received only token recognition.

Asked if any of the media were aware who he was, Rooney replied,

High above the crowd, Rooney and his coaches film a training camp scrimmage.

"The Pittsburgh writers do. Most of the others walk on by. It doesn't bother me—honestly."

Rooney attends all of the Steelers games and rarely misses an opportunity to travel with the players. Determined not to interfere with Noll's responsibilities, Rooney never ventures onto the sidelines during a game. Instead, he watches from a box seat, usually on the same level as the radio and television sportscasters. Says Rooney: "The sidelines are for coaches and players only."

Unlike most owners of professional athletic teams, Rooney considers the Steelers his full-time job. "This is not a plaything," he says. "It demands and deserves everything I can give it." This means being accessible to the team seven days a week and keeping 9 to 6 working hours Monday through Friday. Even before he became president, Rooney started molding the Steelers' franchise into a more businesslike organization, placing greater emphasis on budgets, financial performance, hiring and personnel management. He and his brother, Art, Jr., set up a scouting system that led to the drafting of many of the team's current stars, like Terry Bradshaw.

An accountant, Rooney made an extensive study of the club's investment policies and concluded that its cash sat idle too long. "That's something we're constantly reviewing," he says. As a result, Rooney is making extensive real estate investments in the Pittsburgh area.

Measured by most standards—number of employees and profits, for example—the Steelers is only a small business enterprise. It is the sport's overall high visibility and ballooning player salaries—nearly a quarter of a million or more for some—that distort its public image. Says Rooney: "Most people have a false perception of professional football because the glamor creates the aura of a big money business for owners."

The team itself consists of a roster that ranges from about 45 to 85 or so players, depending on the time of year; during the summer, scores of rookies swell the ranks at the training camp. Income is derived from several major sources: television contracts, worth about $5 million a year; gate receipts, which were an estimated $6.5 million in 1979; concessions; radio and allied contracts; and interest income.

ROONEY WILL NOT REVEAL specific figures about the club's financial performance, only whether the team made or lost money for any given season. The Steelers made a profit during the past two football seasons—probably about $1 million—but the team lost money in 1977. "No matter how well you run a professional sports team, many other types of businesses have far greater profit potential," says Rooney.

As president, Rooney is concerned with operating the Steelers in the black. "It's my sole livelihood," he says. "It may not have been run like a business before my time, but it is now." Founded in 1933 by his father, the team lost money through 1945. The franchise, which originally cost $2,500, is now valued at an estimated $20 million.

Four Super Bowl victories have brought the Steelers much more than superstar status; they have also placed extraordinary demands on the entire organization, from personnel to ticket sales to coaching. The problem is that revenues have not kept pace. "We're the most sought after team in pro sports today, but when you relate that to dollars there is cause for concern."

Many of the club's financial problems are tied to the size of Three Rivers Stadium, the team's home field. Although every Steeler game has been sold out since 1972, the stadium is the second smallest in the NFL. The Steelers rent the stadium, owned by the Pittsburgh Pirates baseball team, for $500,000 a year, "an unreasonable sum considering its size and the condi-

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tion in which it is kept," says Rooney. Some 4,000 seats are being added to boost revenues.

Rooney devotes much of his time to National Football League business. In the past, for example, he helped make possible franchises in Tampa and Seattle. And in 1976, as chairman of the league's negotiating committee, he helped resolve a long stalemate between players and owners. Says Players' Association President Edward Garvey: "Without Dan Rooney's patience and understanding, a labor peace in football would never have been reached."

When it comes to just the Steelers business, Rooney is involved in all major decisions involving the club's finances and personnel. In contract negotiations involving players, he has built a strong reputation for fairness, particularly among the team's superstars such as Bradshaw.

Rooney and equipment manager Parisi assign numbers.

Dan's wife, Patricia, might as well be working for the Steelers, with the time she shares in her husband's job. "It's exciting," she says, "although I sometimes wish Dan wouldn't make himself so available to the team and the league alike." Says Rooney: "I won't sit with her at games; she gets too vociferous for me." The Rooneys, married for 28 years, met in grade school. They live in Mt. Lebanon, "a typical Pittsburgh suburb." Home is a five-bedroom colonial-style residence on a tree-lined street. Six children still live at home.

Rooney does little work around the house, because of the demands on his time. "It's probably just as well," he says. "I told the kids that I thought we had one of the best-looking lawns in the neighborhood. They said: 'Yea, it's because you never touch it!' "

"I always negotiate my own contract with Dan face to face, even though I have an attorney representing me," says Bradshaw, who was a Steelers first-round draft pick in 1970. "Dan is open, honest and his dealings are always fair. In the end, I am satisfied with the outcome." That's significant coming from a four-time Super Bowl quarterback whose annual salary is around $200,000, about half of what the Miami Dolphins' Bob Griese earns and a lot less than some other quarterbacks get as well.

On the surface, it may appear that Rooney is dedicated to the Steelers to the exclusion of all else. That's close but not entirely accurate. His family comes first. Assistant Head Coach George Perles, a family man himself who looks like a cross between a sumo wrestler and a Soviet Olympic weightlifter, says: "I work for a clean-cut, straight arrow, religious man, and that makes my job a lot easier."

Rooney grew up in a strict Irish-Catholic family and has tended to be a strict father to his nine children, ranging in age from 11 to 27. "My parents tried to give me and my brothers a sense of values," he says. "We lived comfortably, but we weren't spoiled. I hope to do the same, only put more emphasis on education."

As a youth, Dan Rooney loved the Steelers and frequently visited the team's training camp. "I got to know all the players and coaches," he recalls. Like his father, who was signed by the Boston Red Sox and Chicago Cubs baseball teams, young Rooney also loved team sports. When he was a senior at North Catholic High School in Pittsburgh, Rooney quarterbacked the school's football team to the city championships, but he was beaten out for All-City honor that year by a junior at neighboring St. Justin's High School named Johnny Unitas.

WHILE A STUDENT at Duquesne University in Pittsburgh, he worked summers for a construction company in which his father had part ownership and was invited to stay in the business. He also had a chance to work at his father's horse racing farm in Maryland but declined. After he graduated in 1955, Rooney, a native of Pittsburgh, went to work full-time for the Steelers selling program ads. From there he moved into every phase of management—player personnel, the college draft, scouting, scheduling. As each year passed, he assumed more responsibility.

Younger brother Art, Jr., who is vice president in charge of personnel for the team, says, "Dan never thought there was any job too menial. Now, with the possible exception of coaching the team, there's not a single facet of this business that he doesn't know inside and out."

Without yardwork, Rooney still has plenty of outside activities to take his mind off pro football. He logs more than 100 hours a year piloting his own airplane, a single-engine Beechcraft. Skiing, preferably in the Colorado Rockies, provides another recreational outlet. Perhaps his most cherished pastime, though, is his volunteer work for the Ireland Fund, which he helped organize in 1976. It is to Ireland what the United Jewish Appeal is to Israel. "All contributions are applied toward the support of specific projects in Ireland to further culture, peace and charity," he explains.

Both his and Patricia's ancestors came from Ireland and they go there at least once a year. "We have a lot of friends there." Rooney says none of his family fits the Irish mold, however. "We're too quiet and reserved."

And so are his Steelers. There is a conspicuous absence of boasting and bravado among the players and coaches. They seem to reflect the low key approach of their boss off the field, but on the field the likes of Terry Bradshaw, Mean Joe Greene, Franco Harris and Jack Lambert, to name a few, are another breed. They exude confidence, as does Dan Rooney, who says matter-of-factly: "We were the team of the 1970s—and there's no reason why we can't be the team of the 1980s." □

*To order reprints of this article, see page 39.*

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## Secrets of a Corporate Headhunter

# How To Fire Someone And Still Be Friends

By John Wareham

John Wareham gave up a banking career in New Zealand the day he found out what the president made. Similarly, he abandoned accounting when he saw the senior partner's home. After that, what was left but headhunting?—or, more formally titled, executive search.

Wareham Associates is now established in four countries on three continents with offices in New York, Chicago, London, Sydney, Melbourne, Auckland, Wellington, and Christchurch.

Wareham says he fell into corporate headhunting, liked it, and set out to become the best (and, therefore, the best paid). With revenues of what banker friends describe as "the substantial seven figures," Wareham now wants to tell all.

*"Off with his head," said the Red Queen.*
LEWIS CARROLL

I REMEMBER asking the 51-year-old founder-president of an advertising agency on the day he went broke, after seven years in business, whether he had any regrets. "Yes," he said, "Two. I should have followed up on more of my client prospects. And I just wish I'd been quicker to fire some people. I was always too slow. I procrastinated, hoped, prayed they'd improve, but nobody ever did."

I have never yet met an executive who didn't procrastinate over a firing. The reason for the delay is threefold. It's an unpleasant task, it involves an admission of your own earlier poor judgment, and you tend to worry about how it will affect other employees.

Well, yes, it *is* an unpleasant task and, of course, it *is* a reflection on your earlier judgment. But that is not the problem at hand. Console yourself that everybody makes mistakes but that it takes special courage to admit them. This may not make the task ahead of you any more palatable, but at least it will make you feel better.

As to how termination will affect your other employees, let me set your mind at rest. Properly handled, done with dignity and poise, a firing can be an excellent public-relations exercise, providing stimulation and relieving the tension of repressed hostilities. Your staff would rather believe you courageous than cowardly. They will respect and admire you for accepting the full burden of your responsibility as leader. But if you dodge your duty, then you invite the sneaky suspicion that you are weak.

When a decision to terminate is dragged out and duck-shoved, it becomes the subject of corridor whisperings and poisonous jokes. The prospective terminee becomes vested with all the appeal of a cadaver, and the office atmosphere begins, as a result, to take on a distinctly unpleasant aroma. It was all very clear to Macbeth in the days before refrigeration:

*If it were done when 'tis done,*
*then 'twere well*
*It were done quickly.*

But first, reflect on your objective. This is not just to terminate, but to terminate with the least possible rancor; without an argument, loud words or unnecessary pain. There

is only one way to do it—quickly and with as little dialogue as possible. If you feel guilty and want to help the terminee get another job, then pay for him to go to an outplacement firm. Don't even *attempt* to run your own outplacement program—your kindness could badly backfire on you.

Whether the final handshake is to be of gold, bronze or clay will be determined by the circumstances of the termination. You can be very merciful in your judgments of those who fail in some ways and very unmerciful to those who fail in others.

But before you attempt to assuage any corporate guilt with the payment of more money than is legally owing, you should reflect that people seldom forgive us the favors that we bestow upon them because of their weaknesses. Unless I were an undertaker, I frankly would not put gold handles on pine coffins.

However, if that is your wont, then your kindness should be tempered with common sense, and the payment of any conscience money delayed until you have determined that nothing is missing, and that your investment will not be used to fund a suit against you.

**The Friday 4:45 p.m. shuffle.** The day and the time are significant. The office will be emptying (emptying very fast on this particular day), and there is an implied 5:00 p.m. deadline, at which time the terminee will be spared the indignity, at this delicate moment, of having to face his colleagues.

When the 15 minutes are up—and, frankly, it should take less—the deed, the day, and the week will be over. There will be an enforced two-day cooling-off period: No hasty calls to a hungry lawyer; less chance of upsetting other employees whose minds will be turning to weekend activities. Instead, a time to unwind, readjust, stay in bed, maybe. Two long days to fully contemplate the repercussions of any hostile act.

**The venue.** One corporate president I know likes to terminate out of the office. On the Thursday before an execution he drives his wife's station wagon to the office, leaves it in the parking lot and catches the train home. On the Friday he drives his Rolls-Royce to the office and after lunch explains to the terminee that he has the problem of getting two cars home, and could he please help.

They each drive separately to the president's home and then return together in the Rolls at about 4:30 p.m. On the way in, the president announces the termination, timing his last words to coincide with journey's end at a subway station, where he allows his former employee to alight. "It's the best way," he told me, "and I don't need to see their eyes." In fact, all eyes in the organization become a little wider whenever his wife's car appears in the parking lot.

Former British Prime Minister Harold Macmillan is reported to have ushered an incompetent cabinet minister into an old-fashioned elevator and held his announcement of termination until he had slammed the cage doors and seen the fellow push the Down button. Slowly the victim descended into the bowels of oblivion blubbering: "But why? *Why?*" Watching the head symbolically disappear beneath his feet, Macmillan harrumphed: "Not good enough."

My suggestion of venue, however, is your office, with you in place behind your desk. This is a time to be formal, to accord the terminee the dignity of a proper ceremony. The desk between you serves an emblematic purpose and may also be an impediment to the (remote, I am sure) possibility of physical hostility. But, however remote that possibility may seem, this is a task that always calls for discretion. It is a time to heed the wisdom inherent in American Indian folklore, which cautions that when poking an old bear in the eye with a stick, you should be sure that the stick is longer than the arm of the bear. I have only known one president to be physically assailed as a result of a termination. Significantly, the eruption came in the week following the announcement that the terminee would be assigned to an outplacement program and allowed to follow up new job leads from his old office. Had my advice to immediately sever all contact been followed, the incident would not have occurred.

**The dialogue.** The essence of the "Friday 4:45 p.m. shuffle" is summarized in four words reportedly uttered

# ARE YOU PAYING PEOPLE TO WAIT WHEN YOU SHOULD BE PAYING THEM TO WORK?


Your factory foreman is waiting for a part from Atlanta.

Your Vice-President in charge of Research is waiting for a report to arrive from Seattle.

And your President is waiting for progress reports from all of the above.

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And the cost in lost time and delayed projects is astronomical.

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# FEDERAL EXPRESS

**WHY WAIT WHEN YOU DON'T HAVE TO?**

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by Henry Ford II when he was stopped late one night driving with a lady apparently not his wife and advised that he was violating the speed limit, and also that he seemed to have imbibed a little freely. Did he have anything to say, he was later asked in his prison cell by reporters? Ford's answer was to the point and memorable: "Never complain—never explain."

You could do worse than remember this advice as you survey your terminee. If he assumes that you've invited him to drop by for a leisurely review of current market trends, sweetened by an end-of-the-week cocktail, you will very quickly indicate that the bonhomie is inappropriate. It is more likely, however, that he will suspect *exactly*

the purpose of your meeting and greet your words with inevitability.

At this moment he will be attempting to cope with the conflicting emotions of relief, anger, shock and shame: He will want both to stay and to go. But what he really wants is for you to play your role with dignity and decency; for you to realize that this is a moment of ritual significance in the continuum of human life; for you to honor your obligation not to relent, but to be cool, and not to allow him to make a fool of himself unnecessarily.

Turn quickly to the matter at hand. Tell him quietly but firmly that you're quite sure that it's in his own long-term interests that he and your organization part company. Tell him he's a fine man, that you have the greatest respect and admiration for him as an individual, but refuse to give him any reasons for the termination. Tell him that you've thought it through very carefully, that naturally the decision was not made without considerable pain on your part and that you deeply value the contribution he has made.

Your tone at this moment should be that of a well-heeled mortician: bereaved but in control. Don't at any time be lured into criticism or explanation of your reasons. The moment is inappropriate, the day is late, and, *alea jacta est*, the die is irrevocably cast. Stick with Ford's advice.

Although the terminee may tell you it would help him if he knew why you were acting this way, rest assured that it won't. Far better for him to invent any rationalization he likes to fill the vacuum of your silence in the days to come. Any words of "explanation" at this particular moment will all too easily develop into discussion and then degenerate into an argument that both of

you will afterwards very much regret—and which will do far more harm to your long-term relationship than your silence. Words unspoken cause least offense.

If you want to soften the blow and feel compelled to give a reason, it should be something with which there can be no argument whatsoever. But choose your words with care. You may wish to use this soothing approach: "I've lain awake and thought right through this whole thing, and I'm now certain in my heart that God never intended you to spend the rest of your days with the XYZ corporation—you were made for better things."

Well, God has spoken, and who are you, indeed, who is anyone, to question the Almighty. The essence of such a homily is *not* that it should make sense—for nothing will make sense at this moment—but that it should be anodyne, while intrinsically inarguable.

Be warned that one of the surest ways to have *successful* legal action brought against you by a vengeful terminee claiming unfair discrimination is to try to justify yourself at this moment. Any rope you give him by way of "logical" explanation may be taken by his lawyer and woven into a noose for *your* neck. Give him nothing. Certainly at the blue-collar level you will want to be sure that a terminee's *indisputable* past misdemeanors have been duly noted in his personnel file. An executive, however, usually fails for reasons that are gray indeed and which can rarely be put to paper. He fails because the chemistry is not right or because his judgment is bad.

But actually trying to persuade an unwilling terminee, for reasons based upon sound logic, that his judgment is bad will be virtually impossible. And so, your best course, morally, ethically and legally, is to draw upon your fine command of the English language and say nothing.

What you both need is a cooling-off period: a chance for emotions to settle and for rationality to emerge. Offer him your help, your unstinting support. Let him have an immediate check to finalize whatever severance money your lawyer says is owing. Suggest, quietly, that he may prefer to clear his office right away and that you see little point in his coming into the office on Monday morning. Far better to be thinking in terms of what lies ahead, rather than returning to what is now over.

Treat him not unlike a party guest who has tippled too freely and is now proposing to drive himself home—a proposal that you, as host, have to regard with some misgivings. You know he is not quite in full control of his faculties, and his judgment may well be impaired. Treat him with tact and discretion. Assure him of your support, your loyalty, and, if he chooses to accept it, your friendship—but don't at this moment suggest dinner or even a drink. It could possibly be construed as the final insult. Even worse, he might just accept.

Shake hands with him as men who have shared both the rough and the smooth (as you now assuredly have) and who know how to handle a difficult moment with grace and dignity. It is on that basis that you have the best chance of retaining your previous friendship—a friendship to be subsequently based upon what Sir Robert Menzies once called "the pearl of countless price: mutual self-respect." □

# Accounting for Energy

Do oil and gas producers need an entirely new method of bookkeeping, as the Securities and Exchange Commission has proposed, or will such a drastic accounting change impair the ability of these industries to develop new energy resources?

A growing number of accountants, as well as financial and industry analysts, caution against the proposed change. They say it would radically alter the financial statements of oil and gas producers. The effects, many of them say, would handicap the industry's ability to raise the vast amounts of capital needed to find and produce oil and gas.

For years, the industry has relied on the tenets of historical cost accounting, which describes a year's operating results in terms of actual revenues received and costs incurred. But all that would change under the SEC's proposed new method of bookkeeping—reserve recognition accounting.

Reserve recognition accounting—or RRA—would not allow a company to book income from production, regardless of how much oil or gas it sells in a given year. The underlying principle of RRA is that the discovery of oil and gas is the most significant event in exploration, development, and production activities.

Under RRA, the value of new proved reserves discovered annually would be recognized immediately, both on the balance sheet and on the income statement, by discounting all future revenues and net costs that would flow from those reserves.

To calculate the time period for discounting, petroleum engineers would have to estimate the barrels of proved reserves and forecast the number of years it would take to get them out of the ground. Using current oil and gas prices and current costs, the income from those reserves would then be figured, discounted at the SEC-mandated 10 percent annual rate. The resulting data would show up in the income statement and balance sheet for the year the oil or gas deposits are added to the company's proved reserves.

"If RRA becomes law, it is bound to put the oil and gas industry at a serious disadvantage in the capital markets during the 1980s," says Frank M. Burke, Jr., a director of Peat, Marwick, Mitchell & Company, and chairman of the firm's energy and natural resources group.

Rosario S. Ilacqua, a partner in the New York brokerage firm of L. F. Rothschild, Unterberg, Towbin, explains why. "When companies invest large sums in oil and gas exploration but find relatively small reserves, this will be reflected in their earnings statements. The companies' reported income will be depressed, and that, in turn, tends to adversely affect stock prices. This is a really hot potato," he

**This rig, in the Rocky Mountains, is typical of those drilling for gas.**

says. "Ultimately, RRA could put a damper on oil and gas drilling activities nationwide."

The SEC, which unveiled RRA in 1978, wants to implement the new accounting method in several stages. For example, in their 1978 annual reports, companies were required to disclose the present value of their proved reserves. Previously, reserves were shown in barrels, not dollars, in unaudited tables of annual reports.

For 1979, financial summaries included an audited supplemental earnings summary based on RRA accounting. And by 1982, RRA is supposed to replace traditional income statements.

An SEC spokesman says there are no assurances that by the end of the three-year experimental period RRA will be adopted. "The concept remains in the trial stage," he says. "We're still more than a year away from any final decision."

One of the major objectives of RRA is to provide investors with more useful and relevant information.

"That's fine, but why force oil and gas producers to adopt a costly and cumbersome new accounting methodology in the process?" says Burke of Peat, Marwick, Mitchell.

When the SEC reviewed the standard accounting method for the industry, it was apparent that the most important asset of any oil and gas producer is the proved reserves, yet historical-cost accounting does not recognize these reserves until they are actually produced, the SEC spokesman says. However, he adds, "RRA would correct this."

The SEC argues that RRA should not put producers at a disadvantage in the financial markets. "An assessment of a company's performance is based on more than a single year to establish a trend," says the spokesman. "On the other hand, if a firm finds no new resources in a given year, then it is not a matter of perception but a fact that the firm did poorly that year."

Oil companies find no consolation in the SEC's thinking. One senior petroleum executive says: "It is likely that RRA would result in highly volatile fluctuations in company income statements, depending on the level of discoveries from one year to the next."

Others question the need for RRA. "We doubt this will add to the knowledge of the investing public," says M. J. Clancy, an assistant controller at Exxon Corporation. "A lot of supplemental information to annual reports is already available for people who require that kind of data to make investment decisions," he says.

Clancy also points out that several hundred engineers and geologists will be needed to do the reserve auditing, which will add to the cost of doing business in an industry already taking heat for the spiraling cost of energy. Eventually, these expenses will be passed on to consumers.

There are an estimated 7,000 petroleum engineers in the United States, and about one third of them are qualified reservoir engineers.

Adds Clancy: "These people should be out in the field trying to find new reserves—not making RRA audits to satisfy government regulators." □

# SEC Chairman Williams Warns Business:

# Clean Up Your Act

CORPORATE accountablity is the fashionable term for a simple concept: American companies must either reform themselves or the government will do it for them. Harold Marvin Williams, 52, chairman of the Securities and Exchange Commission, has been preaching that message to business people for the past few years. He believes that corporations have a simple choice—they must adapt to society's changing needs and expectations or risk regulatory domination.


PHOTO: ROBERT L. KRUEGER

Companies have got to tell the truth, says SEC Chairman Williams.

Williams was named SEC chairman by President Carter in 1977. At that time, he was dean of UCLA's Graduate School of Management in Los Angeles. Prior to that, the Harvard-educated lawyer worked for Norton Simon, Inc., and its corporate antecedents, ending up as chairman of the board in 1969. In an interview with NATION'S BUSINESS Senior Editor Barry Crickmer, Williams expands on the problems of corporate accountability and other issues.

**Q** You have been chairman of one major corporation and a director of 16. Has your perception of the SEC changed since you became its chairman three years ago?

**A** Essentially, my perception hasn't changed. I had always considered the SEC an effective, responsive agency. There were times when I thought the securities laws were not quite textured the way I would have liked them. But basically, I had a healthy respect for the agency.

**Q** The SEC seems to be swimming against the present conservative, anti-government tide. Are you the last of the red-hot regulators?

**A** It's fashionable to be against the bureaucracy today. Many politicians are running against it. Businessmen damn it. Congress passed a bonus pay plan for superior performance by senior civil servants, then promptly cut back on the size of the bonus. All of this takes a toll on the morale of conscientious government employes. You know, a good amount of the criticism that regulators receive would be more properly directed to the underlying law, not the efforts of agencies to implement it.

I do not consider myself a red-hot regulator. In fact, my objective is to reduce the role of regulation. But in my judgment that can be achieved only if the private sector assumes a greater responsibility for self-regulation. To the extent that it does not, the public and political pressure will continue for legislation or regulation to fill the void, and this will occur despite increased, and justified, disenchantment with the effectiveness of regulation. It is not enough just to damn or bemoan the effect of regulation. Regulations are designed to address a perceived problem. If the problem is not real, that should be established. If it is, we need to find a way to minimize it in the private sector or convince society to accept it and live with it. I know some of the things I have advocated raise hackles, but I want to force the private sector to look at the alternatives to regulatory or legislative intervention.

**Q** Specifically, what are some of these alternatives?

**A** The basic self-regulatory model is implicit in the way the corporation is structured, with shareholders who are the owners, a board of directors supposedly selected by the shareholders and responsive to the shareholders, and the corporate management responsible to the board. Others such as the auditors and legal counsel can also help the corporate structure to work very effectively.

My concern is that the next wave of proposed legislation will try to deal directly with how corporations will be organized, who will be on the board of directors and how they will function. I do not want to see the federal government involved in that.

**Q** Are corporations simply responsible for making a profit within the law or do they have a broader, social responsibility of some sort?

**A** A successful corporation has to be profitable over time—not just this

**"You can't deliver poor quality products and be a successful corporation. By the same token, you can't flout society's expectations without running into problems."**

quarter's earnings, but five years out as well. The corporation that thinks long term as well as short term is also typically concerned about how its actions may come back to haunt it through litigation, adverse legislation and the like.

I do not see any fundamental conflict between optimizing corporate profitability, which obviously has to be the prime concern, and a concern with how the corporation relates to society. You cannot deliver poor quality products to your customers and be a successful corporation over time. By the same token, you cannot flout the expectations of society over time without running into problems.

**Q** Do you believe corporations know exactly what it is that society expects of them?

**A** No, and that is a real problem. It makes running a corporation incredibly more difficult. It makes the corporate structure more complex because you have to spend a larger part of your senior management's time and your board's time worrying about those factors as well as attending to your knitting. And despite best efforts, it does create a degree of uncertainty and a possibility of being caught short.

But I think the real challenge to boards and management alike is to continue to be venturesome and aggressive despite those uncertainties. The temptation could be to play it safe, but that is not in the long-term best interests of either the company or the country.

**Q** Former Commissioner Roberta Karmel foresaw a possible conflict between the Supreme Court's tendency to expand the rights of corporate free speech and the commission's disclosure requirements for securities and annual reports. Do you share the same fears?

**A** No, I do not. I think the thrust of the court's decisions is to remove unjustified restrictions on commercial speech, and that is not contrary to the commission's direction. For example, we now encourage forecasts rather than prohibit them in company registration statements. And we are encouraging—in fact, nearly pleading with—managements to make their review and analysis of operations meaningful to shareholders and avoid the kind of stereotyped, hollow commentary found in many reports.

In a sense, we are promoters of commercial speech. The only constraint we put on it is that it must be truthful or if it is an opinion, it must be a good-faith opinion.

Now there are certain periods—for example, when a company is registering or about to offer securities—when we do impose limitations on statements which might tend to "prepare the market." But that is the kind of short-term, special situation that the court has recognized as being a reasonable constraint on speech.

There is an additional dimension here as well. Along with an increasing corporate right of free speech—which I encourage and applaud—I believe there will develop a corporate responsibility to speak out. That is an area that has not been explored yet, and we ought to start thinking about it.

**Q** How do you judge your progress in trying to help small business capital formation, and what do you have in mind for the future?

**A** This is one of the few areas where the commission seems to be getting a good amount of applause. I think, however, that most of the problems of capital raising by small business are not related to securities laws. When you have gone through a period with a 20 percent prime, what kind of return must an investor expect in order to justify a risk investment in small business?

We do tally up the extent to which regulatory changes designed to assist small businesses are being utilized. We are rather pleased with the increased volume of activity that seems to result from the increased Regulation A ceiling and from form S-18 (which eliminates much of the burden associated with small offerings of securities).

What are we going to do next? We are looking specifically at the problems which may arise under the securities laws for small, high-technology companies.

Also, we are conducting a study on the regional broker-dealer, for two reasons: One, he is small business, and we want to see how he is faring in changing market conditions. Two, he is rather essential as an underwriter and sponsor of the typical small business.

Finally, and conceivably most important, we are looking at ways to classify registered companies by size with the possibility that reporting burdens might be varied according to the size of the company.

**Q** You are seeking legislation to help venture capital companies. What is the substance of that bill, and what are its chances?

**A** Similar bills have been approved by the Senate Banking Committee and the House Commerce Subcommittee on Consumer Protection and Finance, so chances of enactment appear to be good. The legislation now pending would, first of all, exempt from the Investment Company Act any private investment company that limits its sales of securities to nonpublic offerings purchased by sophisticated investors who invest a limited portion of their assets.

Second, business development companies would be given considerable flexibility to issue securities for executive compensation plans and to officers and employes.

Finally, it would permit investment advisers to publicly held development companies to receive fees tied to performance and would exclude such advisers from registration provisions.

Basically, the idea is to broaden what amounts to a private offering on the theory that sophisticated investors can take care of themselves.

**Q** Let's come back to corporate governance. The SEC staff is working on a

report. When is that due, and what will it contain?

**A** It should be finished early this fall. It will be a systematic staff review of each of the aspects of corporate accountability, from the function of boards of directors to the role of shareholders to the various pieces that make the process work.

**Q** The ambiguity of the Foreign Corrupt Practices Act seems to be driving some businesses engaged in foreign trade up the wall. They feel they can't get the SEC and the Justice Department to agree on what practices are legal. Are you trying to work this out with Justice?

**A** Your question refers, of course, to the anti-bribery provisions of the act, and I have to answer that in several ways. First is that we are trying to learn what problems business has in understanding and living with the act.

We issued a release requesting information on the ambiguity problem. We went out of our way to say, look, if you, the corporation, are sensitive about disclosing your problems directly, do it through your trade association or your counsel, without identifying the company. The comment period on this request expired at the end of June. We received only 14 letters and we do not have much to go on.

Now, we are watching what Justice's experience is, although not many companies have applied for a ruling under its FCPA Review Procedure. (That procedure permits a corporation to ask for advice concerning a proposed business transaction and receive a statement with respect to the department's enforcement intention if the transaction proceeds as described.) The real problem is that the act requires that a judgment be made, based upon an evaluation of all of the facts and circumstances relevant to a particular transaction. As a result, the extent to which interpretative guidance can be given is limited.

A second and separate issue involves situations where the fact that U.S. law prohibits bribery might put an American company at a competitive disadvantage. Congress is going to have to deal with that issue if any changes or clarifications are to be made; there is no way that we can.

**Q** Then what should a corporation do if it fears it is heading into a gray area?

**A** Well, I think in those circumstances a company probably can and should apply under the Justice procedure. If people get a pass from Justice, we will of course give a certain amount of deference to that. We are not out to sandbag people.

But I do wish that more business people had responded to us, directly or indirectly. Even if the official comment period is closed, we need information so that we can determine what kind of guidance we can appropriately give, what problems there may be with the legislation and what to report back to Congress.

**Q** You suspect some people may have been crying wolf?

**A** I do not like to characterize. I will say this: At one time I had about 650 salesmen in the field, and anytime we lost a piece of business, it was rarely reported as due to lousy salesmanship.

**Q** Some of the people who feel that the SEC is an activist agency blame the consent decree process. A company that cannot afford the financial burden of defending itself may agree to do something it would not have to do if it went through the courts, critics argue. Does the commission settle more cases by consent decrees than in the courts, and if so, why?

**A** The commission does settle the majority of its cases by consent decrees. Why? Because we believe that what we are able to achieve in a consent decree is adequate, considering the violations of the securities laws involved.

The second part of the answer is that this agency has only 2,000 people in toto to handle all of our responsibilities, including examining and approving filings; inspecting brokerage firms, exchanges and investment companies; and running an enforcement operation. We just do not have the resources to litigate most of our cases.

Would a court in a given case have done the same thing? That is difficult to anticipate, but I do not think we get anything extralegal through the consent process. Bear in mind that a consent decree is approved and implemented through a court order.

Finally, we cannot force people to litigate. If they go ahead and make a judgment to agree to the relief we are

seeking against them, that is the end of the case.

**Q** One suggested reform is that the government pay the costs of defendants who prevail against regulatory or other government agencies. Would such a law prevent companies from thinking they had been bullied into something because they could not afford to defend themselves?

**A** Backing up to your earlier question—the very frequent statement in the press that a company consented to avoid the cost of litigation is almost boilerplate language. The beauty of the consent decree from the defendants' standpoint is that they neither admit nor deny guilt; they do not acquire the taint of a judicial finding that there were violations of federal securities laws.

Now, as for paying the costs of victorious defendants, there may be merit to the idea. It might provide a discipline or an incentive. It might encourage defendants to litigate under certain circumstances—more so if it included attorneys' fees rather than only costs, because costs are not that large a part of the expense involved.

But I would propose two conditions: One is that an attorney not take such cases on a contingency basis. Second, I think it would be appropriate to provide that the government also recover costs and attorneys' fees, if it is victorious in the case.

Another consideration here is whether such a system might diminish the vigor with which agencies pursue legitimate law enforcement activities. The threat of being exposed to direct financial liability in such instances could impede appropriate and needed law enforcement.

**Q** The SEC has been accused of going both ways on the takeover problem by doing some things to make business less vulnerable to hostile takeovers, but at the same time making business more vulnerable by removing the safe harbor that some states provided. Is there a conflict here?

**A** No, there is no conflict. We are doing our job; the Williams Act calls for us to assure evenhandedness. The commission's recent efforts—which have the effect of pre-empting state law—came about in recognition of the fact that state laws tilted heavily in favor of management, which unbalanced the situation. On the other hand, we lengthened the tender period, which favors management.

Now, I think part of the reason that the state tender-offer statutes developed was that we did not move rapidly enough to keep things in balance. The quickie takeover reached a point where it upset the balance, and the state statutes came in to restore it.

**Q** How is your campaign to develop the national market system going?

**A** Congress told us to facilitate the development of the national market system. The lawmakers did not say do it if you would like to, they said do it, and we are. Now, we have the best securities markets in the world. So the risk one is entitled to take in trying to improve them is very limited.

We have taken a very significant step in adopting rule 19c-3, which for the first time permits offboard principal trading of certain listed securities. The results of this change will give us an important clue to what might happen next in terms of development.

**Q** Where would you like to see the market system in 10 years?

**A** I do not know where it is going to be in 10 years. In principle, we are trying to encourage market participants to design the system themselves and take it where competition, economics and self-interest dictate, provided the result is fair and orderly markets.

**Q** While you have your crystal ball out, where do you expect corporate governance and securities regulation to be in 2000?

**A** I am concerned that the corporate world is going to be much more government-dominated than it is today. That concern motivates much of the pressure I apply.

I believe that the present system can work more effectively than it does, and to the extent that it works effectively, and can be trusted to do so, it will build confidence and deter governmental intervention. But if we cannot make it work that way, I fear that in the 20 years between now and the year 2000, increasing government intervention will have stifled the risk-taking, the creativity and the dynamics that underlie our economic system. That would be disastrous for our society. □

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# Want To Be an Entrepreneur? Go to College

By Roberta Graham

On its Waco, Tex., campus, Baylor University has created a new Center for Private Enterprise and Entrepreneurship.

Back in 1945 when he was a senior at Cornell, Donald Berens applied to the university's graduate business school. He wanted to go into business for himself, and, even though Cornell didn't have specific courses in entrepreneurship, he figured that anything he learned would help. Cornell, however, figured otherwise, and rejected Berens' application; to the school, he did not project enough "success potential."

Two months ago Berens, now the multimillionaire president of Hickory Farms Sales Corp., a chain of 106 food stores with headquarters in Rochester, N.Y., gave Cornell $1 million to set up graduate small business and entrepreneurial courses. Berens claims this is *not a case of sweet revenge*, but rather the fulfillment of a 10-year dream to do something substantial for young people. He believes that by funding the academic chair he will help students sample the entrepreneurial experience and that the business community will benefit from better educated businessmen and women.

Endowed chairs consist of perpetual funding donated by an individual or an entity. The money can come in one lump sum, over a period of years, or may be in the form of trusts or securities. The funding usually is from $100,000 to $1 million.

Not all universities are fortunate enough to have such a benefactor as Berens, but many leading graduate business schools are beginning to discard the traditional thought that MBAs should jump from cap and gown to gray flannel; they are taking a second look at the needs of students who want to become entrepreneurs. Some are doing more than just thinking about the concept. In fact, Cornell, the University of Pennsylvania, and the University of Texas have established endowed chairs of small business or entrepreneurship.

"It's a breathtaking innovation in graduate schools of business," says Karl H. Vesper, professor of business administration at the University of


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Washington at Seattle, and author of a compendium of collegiate entrepreneurial courses and endowed chairs.

The government helped fuel the entrepreneurial movement on campus when it began pouring federal dollars into colleges and universities via the Small Business Administration's Small Business Institute program. The program was set up in 1972 to reimburse a few business schools for management consulting done free of charge for small firms.

Vesper, 48, who has an MBA from Harvard, a master's degree in mechanical engineering from Stanford, and experience in running a small firm, says that in 1969 when he first started compiling information on entrepreneurial courses already in operation, only 16 schools offered any course at all. Now there are seven endowed chairs and hundreds of courses offered in entrepreneurial management, financing, and accounting at 80 colleges and universities around the country.

The chairs are organized in various ways. According to Vesper, the endowed chair at Ohio State, for example, came in the form of a shopping center. (Profits from the real estate operation finance the chair.) At Baylor University in Waco, Tex., one of its chairs was financed by the donation of shares of stock. "Some chairs like these come from entirely one donor, while others, such as the one at Wichita State University, are formed from combined donations of several firms and individuals," Vesper says.

The purpose and scope of endowed chairs can be as diverse as the funding. Several have emerged as part of centers: Baylor has formed a small business oasis, a Center for Private Enterprise and Entreneurship with five endowed chairs. The year-old George W. Taylor Chair at the Wharton School of Business at Penn grew out of its existing Center for Entrepreneurial Studies. According to Professor Edward Shils, current occupant of the Taylor chair, more than 700 students at the graduate and undergraduate levels have completed courses in entrepreneurial studies in the past two years. "We don't believe you can be an entrepreneur and remain untrained anymore," Shils says. "That may have been true 30 years ago, but not now."

These courses or disciplines will train the potential entrepreneur in the areas of financing a new venture, learning accounting techniques especially beneficial to smaller firms, management aspects of smaller companies, industrial innovation, how to market new ideas, and how to raise research and development capital.

At the University of Texas in Austin, courses in small business and entrepreneurship are offered in the finance and management departments of the graduate school. "A student can specialize in small business management or financing," says Professor Ernest Walker, current occupant of the Lawrence D. Gale Chair of Small Business and Entrepreneurship. "We do not give a degree in small business like we do in accounting. But a student can come here and earn either a master's or a bachelor's degree with a small business discipline."

Vesper points out that there can be a big difference in chairs in entrepreneurship, small business and free enterprise. "The name of the chair does not always reflect the type of chair that exists. It is an important distinction, especially for someone contemplating leaving a job to go back to school for an MBA. A person must know what courses will be offered and their emphasis."

Entrepreneurship, for example, might mean getting into business, venture initiation and how to start or buy a business with the emphasis put on growth. Small business chairs usually emphasize management of an ongoing business and the curriculum is concerned with stability, new management techniques or accounting principles, but is not growth oriented. Free enterprise, meanwhile, is more evangelical. A chair dedicated to free enterprise usually emphasizes understanding of the private enterprise system and the training of future business leaders.

At Cornell, the Don and Margi Berens Professorship of Entrepreneurship will be designed to explore start-up, financing, purchase and revitalization of small firms, while other courses now being developed will look at marketing, budgeting, personnel motivation, problems with government regulation, and computer utilization.

Meanwhile, the University of Maryland is considering offering a master of science degree in entrepreneurship, Stanford University is negotiating for a small business or entrepreneurial chair, and Baylor may break the barrier and offer a doctorate program in entrepreneurship. □

REVENUE SHARING

# Can Tax Money Go Back to the People?

By Michael Thoryn


PHOTO: BOB CHASE

Revenue sharing cash supports vital services.

REVENUE SHARING, a $6.85 billion federal program that is called a giveaway by its critics and a godsend by most elected officials outside Washington, D.C., will be cut by a third this year, a victim of budget pressures and political jealousies.

The no-strings program, which returns large chunks of money to local and state governments, is used to pay police and firefighters, run schools, maintain roads and pick up garbage. Ann Arbor, Mich., for example, spends all its revenue sharing money, $1.4 million a year, on its fire department—the money, in fact, accounts for one third of the department's budget.

The states will certainly lose their share of the revenue sharing funds—$2.3 billion—this year. Governors can hardly argue that they need the money when every state but Vermont shows a budget surplus and only a few, notably Massachusetts, New York and Michigan, are strained. But to the 38,000 city and county governments in the U.S., revenue sharing money is crucial; major cities such as Chicago, Washington, D.C., Cleveland and San Francisco face insolvency, and are pressuring Congress to renew the whole program—not just the city-county share—for five years at the present $6.85 billion annual level or higher.

"A loss of funds would mean serious cuts in services," says Jessie M. Rattley, a councilwoman from Newport News, Va., and president of the National League of Cities. "For the local elected officials faced with skyrocketing budgets caused by inflation, continued demands for services and increasingly hostile citizens who want their tax bills slashed, there is no place to turn for help."

Revenue sharing is in trouble for two reasons: unlike categorical programs—federal funds that are targeted to specific goals such as school lunches for ghetto children or building highways—revenue sharing is little known, has relatively few supporters and brings little constituent credit to U.S. congressmen. Also, in this year of recession and election, $2.3 billion is an easy cut for federal politicians who want credit for balancing the budget. Says Wisconsin Governor Lee S. Dreyfus: "Congress will cut where it gets the least screaming." And, he says, the state governors have only 50 voices to cry out for their share of general revenue sharing.

The program has had its troubles since its beginning in 1971, when former President Nixon declared: "Let us put the money where the needs are. And let us put the power to spend it where the people are." The State and Local Fiscal Assistance Act—revenue sharing—was passed in October, 1972. It allocated $30.2 billion over five years to the 50 states, the District of Columbia and cities, counties, townships, Indian tribes and Alaskan villages.

By renewal time in 1976, opposition to the "giveaway" program had coalesced behind Representative Jack B. Brooks (D-Tex.), chairman of the House Government Operations Committee, through which revenue sharing had to pass. He succeeded in adding a few strings to the program in the form of Davis-Bacon requirements for contractors to pay union wages, independent audits and prohibitions against discriminatory use of the funds. The funding period was also cut to three and three-quarters years.

"The point is that mailing out money from the federal treasury to state and local governments without any regard for whether they need it or any control over how it is spent is not a proper pastime for the federal government," says Brooks. "Those who favor revenue sharing make much of the fact that it costs little to administer. But when a program consists of merely mailing out checks, that is hardly surprising. Give me a couple of kids to lick stamps, and I could do it myself."

Representative John Brademas (D-Ind.) also disparages the program. "Separating the benefit of spending from the burden of raising revenue has encouraged the irresponsible use of public money by state and local government offi-

cials." But instances of blatant misuse are rare, according to an official at the tiny Office of Revenue Sharing (158 employes) in the Treasury Department. Deputy Director Kent Peterson says there are 1,054 active complaints concerned with civil rights violations, none with fraud.

"All money is green," adds Peterson. What that means is: While some governments might spend their money on so-called frivolities like tennis courts or shrubbery for city hall, the vast bulk of the money provides essential services.

REVENUE SHARING money goes mostly to major budget categories: 19 percent for education, 14.4 percent for police, 12.2 percent for highways, 8 percent for firefighting and 7.3 percent for health services. Key to the program is its flexibility, says Douglas DeGood, mayor of Toledo, Ohio. "It allows local citizens and officials to decide how the dollars should be spent, in line with local priorities and objectives."

While state budget surpluses will somewhat mitigate their loss of revenue sharing funds in the short run, the autonomy of many cities and counties will be impaired because states pass on 40 percent of their funds—the cities and counties stand to lose about $1 billion from the state cut. A survey of 302 cities by Congress' Joint Economic Committee found that the number of cities facing operating deficits increased between 1978 and 1979; this year more cities are anticipating deficits than are expecting surpluses.

In another survey, the U.S. Conference of Mayors found that three quarters of the 100 cities responding reported present or expected budget difficulties. In Ann Arbor, a city of 100,000 best known as the home of the University of Michigan, balancing the 1981 budget was a precarious proposition. Six percent of the general fund came from revenue sharing; the city would have a deficit without it, says Mayor Louis D. Belcher.

If revenue sharing to cities were totally eliminated (not likely at this time), Belcher says the only option would be to raise property taxes, which though high, aren't at the legal maximum. Shaving services would be next to impossible; the budget is already cut to the bare bones, he says. Adds the mayors' conference survey: "If the current economic situation continues, citizens in most of urban America may expect fewer garbage pickups, delays in capital improvements, reduced fire and police protection, shorter operating hours for libraries and recreational facilities, cuts in health and social programs, and higher taxes and service fees."

Representative Barber B. Conable (R-N.Y.) thinks revenue sharing is money well spent. The argument "against revenue sharing has been heard many times, particularly by members who have wanted to build legislative monuments to specific purposes," he says. "Revenue sharing is discretionary. It gives a fine opportunity for keeping the solution of problems as close to the people as possible."

Without revenue sharing, cities, counties and states are constrained by the web of federal regulations that spin out from the categorical grants. In 1980, $83 billion in 498 separate programs flowed from Washington to successful grant-writing jurisdictions; the money went to build sewage treatment plants, keeping an eagle eye on pollution; subsidize low-income housing; fund highway construction and maintenance; train low-skilled workers (the Comprehensive Employment and Training Act got $8.2 billion), and kill urban rats ($13 million nationwide). During the 1970s, these categorical programs have grown about 15 percent or $6 billion per year; as a percent of state-city expenditures, federal aid specifically targeted has risen from 14.7 to 23.6 percent.

Richard A. Snelling, governor of Vermont, says: "Each category has its own set of red tape and overhead costs and each its own propensity for growth." Arizona Governor Bruce Babbitt adds, only half jokingly, that state capitals might soon become regional offices of the federal departments.

WITH NO APPARENT success, Governor Snelling worked for consolidation of federal grant problems into broad categories like housing or highways. He told the Senate Budget Committee: "I personally am willing to take cuts of up to 10 percent in categorical programs that are consolidated; a substantial portion of that 10 percent will come out of overhead costs."

But as budget-cutters have learned, categorical programs have a potent Washington constituency that revenue sharing lacks—the iron triangle of a special interest group, the professional bureaucrats who administer the programs and the congressional subcommittee that passes the appropriations. That is an unbeatable combination.

Because of their specific requirements for eligibility, categorical grants cost more to administer. According to the Advisory Commission on Intergovernmental Relations, a bipartisan research organization that wrote 14 tomes on the federal grant system, the conditions attached to categorical programs are "often extensive, expensive and intrusive. While the watchdog requirements such as financial reporting and audits continue to be applied, the federal government has increasingly used assistance programs as vehicles for achieving national social goals such as affirmative action, environmental quality, historic site preservation and citizen participation."

THE COMMISSION says at least 59 of these crosscutting requirements apply to most federal aid programs, regardless of purpose.

Because of the complexities of categorical grants, the prime attractions of revenue sharing are its simplicity and flexibility. James L. Martin, coordinator of a state-local coalition working for revenue sharing, points out that cities spend revenue sharing money through their usual departments—there aren't any directors of revenue sharing. But cities can easily show you the office of the CETA director—and his staff, Martin says. (The Comprehensive Employment and Training Act mandates a director for each governmental unit that has a CETA program.) Also, most big cities hire specialists to write and package book-length proposals for federal funds. Revenue sharing paperwork is minimal and dispensing the money is relatively simple.

The Office of Revenue Sharing uses a Univac 1100 and a multistep equation that eliminates bureaucratic discretion and gives roughly equal weight to population, relative per capita income and tax revenues raised.

Such ease of administration should commend revenue sharing to bureaucrats and politicians concerned with cost-effective government. The program—minus the state share—will most likely be reenacted before the September 30 deadline, but there will be a few more strings, no increase in funding and probably only a three-year authorization.

"There is no reason tax money can't be shared," says Ann Arbor's Mayor Belcher earnestly. "It's not as if we have different constituencies. The citizen of Ann Arbor also happens to be a citizen of the state of Michigan and a citizen of the United States." □

# Do We All Need I.D. Cards?

PERSONAL IDENTITY CARDS are common in some European countries, including West Germany, France, Belgium, Italy and Luxembourg, among others. But they have never been required in the U.S., even though we do seem to be addicted card carriers—credit, Social Security and driver's license, just to mention a few.

Now there is talk of requiring identification of all workers, citizens and aliens alike, due to the influx of illegal aliens. Identity cards would serve, proponents say, as one means to control illegal immigration. How many illegal aliens are there? Estimates run from 1 million to 12 million. Lately, with rising unemployment, the idea of identity cards is taking hold.

"You've got to remove the magnet," says Jack Otero, a labor leader and a member of the Select Commission on Immigration and Refugee Policy, a federal study group. The magnet is jobs. Thus Otero, Labor Secretary Ray Marshall and others favor making it unlawful for an employer to hire undocumented aliens.

Employer groups do not believe that employers should be made a part of the government's law-enforcement apparatus nor subject to heavy penalties for unknowingly hiring an illegal alien. Therefore, "the existence of nonforgeable identification documents is a prerequisite before discussion of employer sanctions," says Robert Thompson, chairman of the U.S. Chamber of Commerce's labor relations committee. Such identification is favored by Secretary Marshall and the AFL-CIO.

The concept of national identity cards for all workers, however, is anathema to many Americans who associate such documents with totalitarian regimes and further intrusion into their lives. Ronald Reagan, says a spokesman, considers them "an infringement on the rights of American citizens," and Patricia Harris, Secretary of Health and Human Services, fears that an identity card program would be too costly and impossible to administer.

Proponents contend that identity cards could be limited by law to use only when applying for a job and need not contain the holder's address. The most common proposal is for a forgery-resistant Social Security card with the owner's picture. It would contain less information than a driver's license and be no more an affront to civil liberties than other cards, advocates say.

What do you think? Should we require identity cards?

PLEASE CLIP THIS FORM FOR YOUR REPLY

The Editor
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1615 H Street N.W.
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Should we require identity cards? ☐ Yes ☐ No

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# Let's Keep the Door Open

WHILE AN INCREASING number of foreign cars continue to appear on America's highways, U.S. automobile production continues to be depressed. As a result, there has been serious—and growing—discussion about limiting auto imports.

Many people believe we can reverse the slump in Detroit by tightening trade restrictions, so we asked readers in the July Sound Off: "Should we limit auto imports?" With an overwhelming amount of responses you voted "no" by a margin of 4 to 1.

"The American public should not be made to suffer for the short-sightedness of auto industry management. Limiting imports (the easy way out for auto makers) is not the answer. Leaving the auto makers alone to shape up is," says Nancy Armstrong, vice president-administration for Bulldog Hiway Express of Charleston, S.C.

**"If this country is to survive economically, then let's get domestic production back to normal."**

However, Thomas Schell, general manager for Doan Ford in Belmont, Ohio, was strongly in favor of import limitations. "The question is not 'Should imports be limited' but 'When?' If this country is to survive economically, then let's get domestic production back to normal."

Many who spoke against barring foreign cars felt that this would be in direct conflict with our free enterprise system. Ralph Jolie, plant manager at Riley Stoker Corporation in Erie, Pa., says: "Don't subvert the free enterprise system that gave us the highest standard of living in the world. Government handouts, taxes and regulations, not to mention absurd court rulings, have already killed most of our incentive." Greg Wagner, president of Grass Valley Instruments in Grass Valley, Calif., says: "Free enterprise must not be limited by political borders. It is the responsibility of U.S. auto makers to offer marketable products that can compete."

Although supporting the American free enterprise system, those favoring restrictions on auto imports say the auto industry is in desperate need of help. They believe that government regulation of imports is a way of showing support for the domestic industry. Mrs. Gerald Oaks of Chickasha, Okla., says: "I think all imported autos should be banned, not just limited. The automobile business should be brought back stateside so our people can make a living." And, says Kent R. Thomas, publisher of the *Beatrice Daily Sun* in Beatrice, Nebr.: "As important as free trade is, there are more critical considerations at this time. We must help this American industry to climb out of the doldrums. It affects too many Americans for the country to stand by and let it sink deeper and deeper into financial ruin."

Reducing the percentage of auto imports as well as imposing high tariffs was a recommendation of many favoring limitations. "Foreign imports should be limited to a low percentage," suggests Robert V. Sylvester, parts manager for the Willis Motor Company in North Canton, Ohio. "Set a percentage on imports but don't abolish them completely." Some readers suggested cutting imports by 50 percent.

Demands for relief through tariffs came from those in favor of restrictions. "Tariffs placed on cars and replacement parts would make prices higher than American cars. We can't expect to increase employment and productivity with imports," contends Barbara J. Just, president of City Sheet Metal in Kent, Wash.

John E. Jameson, president of Boulware-H. Jameson, Inc., in Fulton, Mo., says: "As a domestic automobile dealer (Ford-Mercury) I am hardly overjoyed over the sales of my products. But, restrictions and/or tariffs are not the answer." Mark A. Oberhausen, secretary-treasurer for Oberhausen Enterprises, Inc., in Tell City, Ind., is also in disagreement. "At a time when American business is protesting government intervention, it would be inconsistent to ask this same government to limit auto imports. The auto industry must solve its own problems."

Those who opposed restrictions complained that they were not going to get the quality in American cars they found in imports. Thomas Alexander, a partner of Skater's Paradise in Alexandria, Va., explains: "When I shop for a new auto, fuel efficiency is not my only requirement. Simply slam the door. If imports are limited, I'll be on that long waiting list."

Whether for or against auto imports, many found fault with the auto workers. Those against limitations felt that less demands made by the United Auto Workers would be part of the solution. "Excessive wage and fringe benefits for less work have undermined our competitive position," says William Pacitti, manufacturing engineer for LA-Z-BOY Chair Company in Monroe, Mich. The same view was expressed by those who voted yes. "The United Auto Workers should back up on demands for wages and benefits that are the best in any industry," says Marvin H. Comer, president of Comer Gordon, Inc., in Burlington, N.C.

**"Where is the old American tradition and know-how? Without imports where would our competition come from?"**

Still another suggested alternative to limiting imports was just good old American ingenuity. Robert E. Hall, manager of facilities for United Aircraft Products, Inc., of Dayton, Ohio, asks: "Where is the old American tradition and know-how? Without imports where would our competition come from? Let's cut the red tape, tighten our belts, go to work and beat them at their own game." □

# TRADEOFFS:

**W**HAT'S the most important leg of a balanced three-legged stool? That question faces 5,000 MBA's who graduated from business schools around the country in June. They will all have the problem of trying to strike a reasonable balance between themselves, their corporations and their families. That's not an easy task for the eager, hard-charging young executive at the start of his or her career. And in some ways it's no easier for the seasoned executive. Difficult though it may be, maintaining that balance is a necessary task for every executive. Fortunately, it is doable.

Think of yourself as a juggler. You've got three balls in the air at the same time all the time: yourself, your corporation and your family. One may drop, and you may not be able to avoid that. After all, everyone slips once in awhile. To keep the balls in balance or at least prevent them from colliding requires tradeoffs: Trying to get what you want in your career without giving up anything that matters too much in your personal life, while trying to get what you want in your personal life without giving up too much that matters in your professional life.

Most executives are presented with a rich variety of alternatives and options. The hard knocks of day-to-day competition and the reality of the bottom line determine which tradeoffs they can or must make within the rigorous and often merciless constraint of time. Throughout their personal and professional lives four central questions determine an executive's actions:

1. **What are my options?**
2. **How do I maintain control?**
3. **Do I have enough time?**
4. **What are my tradeoffs?**

Look at this balancing act through the eyes of one successful executive: Chuck Powell is a comptroller with a Big Board company.

❝ I'm 41 years old, have been married for 18 years and have three children, 14, 11 and 8. We live in a large house in a nice residential neighborhood with people who tend to be influential. I guess that's one of the reasons we chose to live there.

"I work hard and take a full briefcase home most nights. My life has changed in the past five years. From 30 to 35 the pace was tough, but now it's become frenetic. Outside business I feel like I don't have enough time, like I have to ration my time for myself. I don't like that feeling. I feel a lot of pressure and I get more tired than I am willing to admit, even to myself.

"I know I look like the picture of success, but the biggest dissatisfaction in my life is my job. It's intellectually satisfying, but what really bothers me is the feeling of insecurity about where I'm going in the company.

"At 60 what am I going to tell my kids that I did with my life? Women's lib, civil rights, Vietnam. I feel I should have been more involved in things like that. But I've compromised. After all, the money lets my kids go to any school they choose.

"But I'm out of fit in my business. I guess my personal and business values just don't click at times. And that's really frustrating. I think a lot about getting off the treadmill and quitting. I'm casting my net wider, hoping a better job offer will come in. ❞

Chuck's concerns are classic. He has all the hallmarks of success but somehow, just when he should be enjoying the fruits of that success, he doesn't seem to feel the way he expected he would. The tradeoffs he has already made have left him successful in the view of the world but inwardly empty and with a vague but altogether real sense of having failed. A bit to his surprise, perhaps, he recognizes that being there isn't as exciting as getting there.

Such awareness is half the battle. It enables him to turn his attention to pragmatic and productive questions like: "What has happened to me? How did I get stuck like this? How do I get myself out of this?" Such questions help him mobilize the same skills that made him successful in the first place and apply them to a resolution of his personal problem. He can assess his options, reinforce his control over them and determine how much time he has in which to take corrective action. He can even face tougher questions like: "Do I have the guts to choose the right option at this time? What are the right ones? Only those that are safe? Maybe the options I really want are too risky? What do I have to give up to make *those* tradeoffs?"

The key to the dilemma Chuck represents is accountability. In the past two decades the relationships between the executive, his family and the corporation have been basically transformed. Their goals, needs and even some of their functions overlap. The fact is that executives today see money and power as givens in their careers rather than their prime and only motivation. They now have a fundamental commitment to improving the quality of their work lives as well as the quality of their personal lives.

Another factor is that families are no longer willing to accept passively whatever is left over for them after the demands of the corporation and the executive's career are met. They want to be informed about decisions which affect their lives. They want a collaborative rather than a competitive relationship with the organization, and they want their share of time and attention.

So within this overlapping triumvirate, to whom are ex-

BARRIE GREIFF, *a psychiatrist at Harvard Business School, and* PRESTON MUNTER, *a psychiatrist at Harvard Law School, explore executive lives in their new book,* Tradeoffs, *by NAL Books.*

# The Price of Success

ecutives accountable? To themselves? To their families? To their corporations? To the shareholders? To the community? To all of them? With equal time, equal energy and equal commitment? Can anyone do all of that? How?

The executive, the family and the corporation each have their own priorities. Where there is no overlap, the options are clear and conflict is minimal. But that is rarely the case. Generally their needs, priorities and responsibilities do overlap and then all three are vulnerable to conflict, or they make tradeoffs that give each of them some advantage. At times they compete with one another; at other times they are mutually supportive.

If the needs of executives, their families and their corporations are to be met adequately, they must develop a working alliance that will allow them to communicate effectively and share available time, energy and resources. This is not just a motherhood statement. Successful families, like successful corporations, require careful thought, planning and constant attention. If any one of the three demands too much over too long a time, then it will be difficult to maintain any balance, and problems are likely to develop in one or both of the other two.

An example of this imbalance is the "if-then" strategy that a young executive typically adopts at the start of his career. When he tells his wife, "If I really pour it on now and for the next few years, we'll make it big together later on," she buys it. The if-then strategy becomes more "if" than "then." With each new promotion, there are always rewards—later on. Her acceptance of the necessity of his busy schedule—her self-sacrifice—expresses her need to lean on her husband and establish her identity vicariously through him.

This is a faulty strategy on both sides. It's probably not a good idea for any woman to buy into her husband's career to the extent that she trades off a solid sense of herself for his possibilities of success.

While there is certainly wisdom in investing effort at the beginning of a business career, the if-then strategy cheats both partners. It postpones the excitement and the enthusiasm of the here-and-now and promises what probably will never come.

While executives certainly have an obligation to be dedicated to their jobs, they also have an obligation and a commitment to their families. Since they're likely to be trained and educated for their professional careers but not for the careers of marriage and family, they need to reappraise throughout their lives whether and how they are maintaining the balance between career and family. Quarterly reviews make just as much sense in a marriage as at work.

Another potential obstacle to maintaining reasonable balance between executive, family and organization is business travel. The constant coming and going may produce a repeated and distinctive sense of loss and, ultimately, a need to reintegrate the family. Listen to Jim Stevens and his wife talk about the impact of his business travel on their family life:

“Certainly I don't count the frequent one or two-day trips I take now as serious travel. During the first years of my marriage I was away a great deal. I had to travel to Los Angeles from New York at least twice a month for three days or so. When I started traveling my son was two years old. At the end of it he was six. That's just the way it was. And it was to a degree beyond my control. But I know now I missed a lot.”

Now listen to Jim's wife, Louise, who describes that period of their lives rather differently:

“As each trip approached I would wish Saturday would go on forever and Sunday would never come. It was awful when he walked out the door, not much better when I drove him to the airport. It was painful.”

Much of this is avoidable if both partners are willing to control what really matters in their relationship, evaluating the tradeoffs and whether they are consistent with their priorities. Communication, collaboration and cooperation are the key elements.

To make such an assessment means facing tough realities and may also mean making even tougher decisions. However, there are no quick and easy answers to complicated life problems.

The challenges of trying to achieve some degree of harmony may be even greater in dual career families; in the single parent executive family; in the personal and family problems presented by relocation; in mid-career shifts; in job loss and retirement; in the special problem of homosexual executives; in the tough situations of handicapped and minority executives; and certainly in the situation of women coming back to the work force (or entering it for the first time) after raising their families.

At the extreme end of the spectrum is the complicated balancing act required of those executives who seem to represent a new breed. Their priorities are a sense of the here-and-now, relatively short-term commitments, insistence on humane values in day-to-day business, cynicism about leadership and, above all, a desire to improve the quality of their work lives as well as their personal lives. They have created new definitions of success, profit and loyalty to the company and career. They engage in an endless process of redefining their goals, motives and expectations. That can be as exciting and unsettling for them as it is for their families and organizations.

At times, the partnership of the executive, the family and the corporation operates to the distinct advantage of all three. At other times each member feels challenged, alienated or ignored. Whether executives succeed or fail, their only safeguard is a personal philosophy that recognizes the continuum and totality of life. □

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**LOUISIANA**—Lafayette, KADN-TV; Lake Charles, KPLC-TV; Monroe, LA/El Dorado, AR, KNOE-TV; New Orleans, WGNO-TV.

**MAINE**—Bangor, WVII-TV; Portland/Poland Springs, ME/Hanover, NH, WNNE-TV; Presque Isle, WAGM-TV.

**MARYLAND**—Baltimore, WMAR-TV.

**MASSACHUSETTS**—Boston, WSBK-TV.

**MICHIGAN**—Alpena, WBKB-TV; Detroit, WKDB-TV; Flint/Saginaw/Bag City, WNEM-TV; Grand Rapids/Kalamazoo/Battle Creek, WKZO-TV; Marquette, WLUC-TV; Traverse City/Cadillac, WPBN-TV.

**MINNESOTA**—Alexandria, KCMT; Duluth, MN/Superior, WI, WDIO-TV; Mankato, KEYC-TV; Rochester, KIMT.

**MISSISSIPPI**—Columbus/Tupelo, WCBI-TV.

**MISSOURI**—Columbia/Jefferson City, KCBJ-TV; Kansas City, KBMA-TV; Springfield, KYTV; St. Louis, KDNL-TV.

**MONTANA**—Missoula/Butte, KCFW-TV.

**NEBRASKA**—Lincoln/Hastings/Kearney, KHGI-TV.

**NEVADA**—Reno, KOLO-TV.

**NEW HAMPSHIRE**—Hanover, NH/Portland/Poland Springs, ME, WNNE-TV.

**NEW MEXICO**—Albuquerque, KOAT-TV.

**NEW YORK**—Albany/Schenectady/Troy, WRGB; Binghamton, WICZ-TV; Buffalo, WUTV; New York City, WPIX; Plattsburgh, NY/Burlington, VT, WPTZ; Rochester, WOKR; Utica, WKTV.

**NORTH CAROLINA**—Asheville, NC/Greenville/Spartanburg, SC, WFBC-TV; Charlotte/Hickory, WHKY-TV; Greensboro/Winston-Salem/High Point, WGNN-TV.

**OHIO**—Cincinnati, WKRC-TV; Cleveland, WUAB; Columbus, WBNS-TV; Dayton, WDTN; Toledo, WDHO-TV.

**OKLAHOMA**—Oklahoma City, KGMC; Wichita Falls/Lawton, KSWO-TV.

**OREGON**—Portland, KOIN-TV.

**PENNSYLVANIA**—Allentown, WFMZ-TV; Harrisburg/York/Lancaster/Lebanon, WGCB; Johnstown/Altoona, WJNL-TV; Philadelphia, WKBS-TV; Pittsburgh, WIIC-TV; Reading, WTVE.

**SOUTH CAROLINA**—Charleston, WCSC-TV; Columbia, WLTX; Florence, WBTW; Greenville/Spartanburg, SC/Asheville, NC, WFBC-TV.

**SOUTH DAKOTA**—Sioux Falls/Mitchell, KELO-TV.

**TENNESSEE**—Chattanooga, WDEF-TV; Memphis, WPTY-TV; Nashville, WNGE.

**TEXAS**—Austin, KTBC-TV; Corpus Christi, KIII; Houston, KHOU-TV; San Antonio, KMOL-TV; Waco, KWTX; Wichita Falls, KSWO-TV.

**VERMONT**—Burlington, VT/Plattsburgh, NY, WPTZ.

**VIRGINIA**—Norfolk/Portsmouth/Newport News/Hampton, WAVY-TV; Richmond, WWBT; Roanoke/Lynchburg, WSLS-TV.

**WASHINGTON**—Seattle/Tacoma, KSTW; Yakima, WA/Lewiston, ID, KLEW-TV; Spokane, KREM.

**WISCONSIN**—Green Bay, WLUK-TV; Milwaukee, WVTV; Superior, WI/Duluth, MN, WDIO-TV.

**WYOMING**—Casper/Riverton, KCWY-TV.

**NOTE:** The list will change periodically with the addition of new stations. Also, check your local listings for day and time.

it's your business

# WHO SAID THAT?

"Milton Friedman and I are old friends," says economist Paul A. Samuelson. "I once said at a meeting, quoting Voltaire, 'If Milton Friedman had not existed, we would have had to invent him.' And a colleague said dryly, 'Why?'"

"If the customers of the 1970s were young and physical, the customers of the 1980s will be middle-aged and mental."

Robert T. Sakowitz,
president of Sakowitz, Inc.,
Houston

**"My favorite advice to congressional committees considering the adoption of yet another government program is, 'Don't just stand there, undo something.'"**

Murray L. Weidenbaum,
a former assistant
secretary of
the Treasury

"The greatest lesson from the Japanese is to have government, industry and labor all working together."

Lee Iacocca,
chairman of Chrysler Corporation

"We have economists in both parties who are willing to sacrifice their principals for a principle."

Economist
John Kenneth Galbraith

"The mere fact that the Congress meets for a full legislative year, to pass expensive legislation, insures an automatic add-on to the long-term federal budget. One can forecast this normal add-on without any advertence to the substance of the types of programs considered by the Congress or the needs of the nation. It occurs solely because the Congress meets virtually all year long and passes new bills with reasonably forecastable price tags on them. I thus conclude, only half facetiously, that a major effective program of fiscal restraint would be for the Congress to be sent home six months a year to visit with their constituents—at time and a half. This would be an exceptionally profitable investment for the average taxpayer."

Alan Greenspan,
former chairman of the President's
Council of Economic Advisers

"As far as anyone can tell, continuing on our present course is as likely to bring us to 20 percent inflation in 1984 as to 5 percent. That is why we need, as they say in the campaign, 'a new beginning.' But before a new beginning there should be a new thinking."

Herbert Stein,
former chairman of the President's
Council of Economic Advisers

# PEOPLE IN BUSINESS

## Making Tracks In Cosmetics

In a former job, Carole P. Beller hurled her shoe against a wall when her boss told her she wouldn't be getting a raise because "you don't need the money, your husband has a very nice job." Now the shoe is on the other foot. After less than a decade in the cosmetics industry, Beller, 35, is president of the Frances Denney Corporation in New York.

Beller joined Denney as marketing vice president in 1978 after working with Lancôme and Revlon and boosted sales by $10 million her first year. While Denney may never become another Revlon, Beller hopes to push the company into the $60 million bracket in the next few years (1979 sales were $18 million), and perhaps also to introduce a line of vitamins and other health products.

Her first entrepreneurial venture was opening an African art gallery while earning an MBA at the Harvard Business School. "It was a great opportunity to learn about running a business," she says. After graduation, Beller learned about the advertising business at Benton & Bowles in New York when she worked on the Yardley of London account. "I liked the fast pace of the cosmetics world," she says. "You never get bored."

Beller also was on the fast track in becoming a parent. Her two-year-old daughter was born just two hours after Beller left her office. Three days later, Beller was back at work. But, she says, "I don't recommend that to other working women. It takes a while to get back on your feet physically."

Carole Beller boosted sales by $10 million.

Steve and Doris Colgate came in first in their class in the Fastnet race last year.

## Sugar Coating For the Doctors

For blue-water sailors Steve and Doris Colgate, the most promising port on the horizon right now is the American Medical Association, which is hiring the Colgates to teach doctors how to sail. It seems that the AMA, like other professional societies, offers short courses and seminars designed to keep doctors up to date and broaden their skills. To make the regimen more attractive, the AMA will add a little recreation—basic sailing lessons at the Colgates' school on Captiva Island, Fla.

"We hope to have 96 doctors in the first group, starting in the spring," says Steve, 45, who first took to the helm at age seven and raced a 27-foot Soling sloop in the 1968 Olympics.

Colgate has been teaching sailing for 16 years, starting at City Island, New York. In 1967, when he was barely keeping sail and spar together, a young secretary from *Yachting* magazine showed up for beginner lessons. A year later Steve and the secretary, Doris, now 39, were married, and soon she was handling the business end of sailing. Today, the Colgates' Offshore Sailing School has more than 30 boats and 40 instructors. In addition to basic and advanced sailing and racing, the couple offers a course in celestial navigation that takes students from Rhode Island to Bermuda.

The Colgates themselves have their own racing boat, a 54-foot aluminum sloop, *Sleuth*, which came in first in the older boats class of the ill-fated Fastnet race off the Irish coast last year (24 boats were abandoned or sunk and 15 crew members were lost in storms). The couple also competes in smaller races up and down the Atlantic Coast.

## This Law Office Makes House Calls

In the good old days, doctors made house calls. Now, San Diego lawyer Sanford H. Monroe has taken up where they left off. In fact, he runs his law office out of a 1973 Ford van that he drives up to his clients' homes and workplaces. Monroe, 35, opened his practice, The Mobile Attorney, six months ago when he got fed up with "the smog and traffic" in Los Angeles. Despite his unconventional office, he handles the traditional legal problems—including divorces, contracts, wills, estate planning, bankruptcy and an occasional criminal case.

Most people are glad to see him coming. "People feel comfortable in their homes," says Monroe, who adds to the homey atmosphere by wearing slacks

and sport shirts instead of three-piece suits. So far, Monroe's road show is paying off; he'll make more this year than in any of his eight years of stationary practice. "Let's face it," says Monroe. "I'm offering a unique service."

## A Competitor Who Can't Say *Can't*

The next time you watch football or tennis on television, take a look at what the athletes are playing on. Chances are the surface was made by Charles A. Brennan's company, C.A.M. Sports, Inc., in New York.

Brennan also plays sports, despite the childhood affliction of cerebral palsy that left him with a game right leg. "The word *can't* was never in my vocabulary," says the 28-year-old company president, who likes swimming, bicycling and tennis. "I was not around other handicapped children, so I learned to compete with myself while competing with others."

When not competing for fun, Brennan is pushing sales of a dozen different kinds of surfaces, from artificial grass to vinyl-cushioned race tracks. In the past year alone, he has increased sales by 200 percent and is aiming at the $1 million mark this year.

While Brennan's main clients are colleges and high schools, new business is coming from corporations that are setting up physical fitness centers for employes and from exports, particularly to wealthy Saudi Arabian tennis players. Brennan, by the way, takes his payments in cash, not crude oil.

Charles Brennan tries out his tennis turf.

## A Hollywood Hit In Money Managing

"I never gave a thought to a career when I was in high school; I was too busy having fun," says Laura Lizer. California State College at Northridge didn't inspire her to choose a career, either. She dropped out in 1972.

Now Lizer, 29, finds her fun in managing money for Hollywood celebrities—about $15 million a year—and running a limousine company. "I bought the company because I use limousines so much in my business," she says.

Lizer started as a typist at an insurance company in Los Angeles, moved up to branch office manager and then became a bookkeeper at a firm that manages movie and TV figures' finances. She found herself frustrated because she couldn't be more involved. A producer with whom she played tennis offered a closet-sized room in his office suite free for a few months, and Laura Lizer Associates premiered in 1976.

Her big break came when she met stuntman and director Hal Needham, who signed on and sent her fellow stuntmen, all of whom met her requirement of a minimum of $100,000 annual salary.

By the end of her first year in business, Lizer had 12 clients, who each pay 5 percent of their incomes for her services, and had married the tennis partner who gave her office space. She now has 20 clients, including actor Will Simpson of "One Flew Over the Cuckoo's Nest" and Nick Corea, producer of CBS's "The Incredible Hulk."

Lizer doesn't have time to play tennis now, but she occasionally takes a few days off to work in films. She played Little Beaver, the blonde truck driver, in "Smokey and the Bandit," with Burt Reynolds. Is she thinking about acting as a second career? "No," she says. "It's just fun."

Laura Lizer bought her own limousine company to take care of her clients, who pay her 5 percent of their six-figure incomes.

# How to Achieve Total Financial Freedom

**A MUTUAL CONCERN.** We've never met and probably never will, but I think we share a common interest. That interest is in achieving complete and total financial freedom.

Recently my net worth reached the *magic million dollar mark*, and it only took me 48 months to achieve that.

That might not impress you, but if you had seen me just a few years ago, you might wonder how I did it. I lived in Denver then, in a cramped, tumbled down house at 2545 South High Street. My wife was expecting our second child and we were so broke we had to borrow \$150.00 from a relative just to buy food and pay the rent.

By the way, I know I didn't make a million dollars because of my superior intellect — I barely got through Ames High School (Ames, Iowa) with a C average. I did a little better later on but I soon realized that a salaried job was not the way to become financially free. If you'll stop and think, you'll realize that millionaires do not work 10, 20, or 50 times harder or longer than you.

**Mark O. Haroldsen became a millionaire in four years because he found a way to harness inflation to his benefit. Now it's your turn! *"I've found"* says Haroldsen, *"that most people just need a specific road map to follow... they can do what I've done."***

**FINANCIAL FREEDOM.** It seems that most people who are charging for financial advice have studied how to "do it" but have never actually "done it" themselves. You will find as you read my formulas, that since I have actually achieved total financial freedom myself, that you will receive from me more than just the motivation to achieve your own financial independence, but a workable step-by-step plan to actually do it.

**STEP-BY-STEP.** Contained in the work entitled ***How To Wake Up The Financial Genius Inside You*** are the various formulas which will show you exactly how you can do each of the following:

- buy income properties for as little as \$100 down.
- begin without any cash.
- put \$10,000 cash and more in your pocket each time you buy (without selling property.)
- compounds your assets at 100% yearly.
- legally avoid paying federal or state income taxes.
- buy bargains at one-half the market value.

**MORE LEISURE.** If you apply these formulas and methods you will find in a very short time, you will be able to do almost anything you care to do, and I think, at that time, you will find as I have, that spending several weeks on the beaches of Hawaii, or on the ski slopes of Colorado, or just sightseeing in Europe, or any other place in the world, you begin to understand what **real freedom** is all about.

Most people think that it would be impossible to do some of the things listed above. For example, to buy a property, and at the same time put \$10,000 (or more) cash in your pocket without selling the property, or to buy a property with little or no cash down.

Believe me, it is possible and fairly simple. This is exactly how most wealthy people actually do make 10, 20, or 50 times more money than you do.

**YOUR MONEY'S WORTH.** While I was struggling on making my first million, I often thought how nice it would be to have the personal advice and counsel from someone like Howard Hughes or J. Paul Getty.

What would I have been willing to pay for this service? I can tell you one more thing for sure, it would have been a lot more than the \$10.00 that I'm going to ask you to invest in your financial future.

country lose, not because they lack intelligence, or even willpower, but because of procrastination, or lack of action — please don't be like the masses. Make a decision while you have this paper in your hands. Make a decision now to either act now and send for my material or immediately round file this paper. If your decision is to order, do it now, not later. Otherwise you may lose, just by default.

**"FINANCIAL FREEDOM."** To order, simply take any size paper, write the words "Financial Freedom," your name and address, and send it along with a check for \$10.00 to Mark O. Haroldsen, Inc., 2612 So. 1030 West, Dept. AK080, Salt Lake City, Utah 84119.

*". . . more than 500,000 people have discovered that my formulas will provide the road map that can lead to total financial freedom . . ."*

**FOR YOUR FUTURE.** What will this \$10.00 actually do for you? It will give you a complete step-by-step plan that you can follow to become totally and completely financially independent.

Please try to understand my dilemma. I'm not a New York advertising agency with all their professional skill and manpower to write a powerful and persuasive ad to convince you that I can make you financially independent. I am just somebody who has actually 'done it', and can really show you how to 'do it'.

**TEST IT YOURSELF.** It's really quite frustrating to have something so valuable as I know I have, but lack the skill to convince people to try it for themselves. I hope by my simple direct approach I can convince you to try my formulas.

**INDECISION — THE COSTLY DECISION.** It seems the majority of the people in our rich

If you send for my materials now, I will also send you documents that will show you precisely how you can borrow from \$20,000 to \$200,000 at 2% above the prime rate using just your signature as collateral.

**IT'S GUARANTEED.** If you are still somewhat skeptical, and believe me, when I started out I certainly was, because of the many people in the world trying to deceive others, I would encourage you to postdate your check by 30 days, and I promise and guarantee that it will not be deposited for at least those 30 days, and if for any reason you do not think that what I have sent you lives up, in every aspect to what I told you in this letter, send the material back, and I will quickly, without question, refund your money and send back your own uncashed check or money order.

# When Strikes Count

By John Costello

WHEN HE WAS a younger man, George Zeidell had visions of great athletic feats. He tried baseball and football, but he was no great shakes. "I always liked sports," he says. "But the truth is I was kind of a washout. I was a sub-sub in everything I tried out for."

But the klutz on the diamond and gridiron is a different cat in a bowling alley. When he strides up to the foul line swinging a 16-pound bowling ball, he's big league.

"When I started bowling," says the 57-year-old San Diego, Calif., businessman, "I felt I could become good at it. Then, as I got better and better, and my average climbed, it really appealed to me. I had found my niche."

The founder of International Clean Products, Inc., an industrial wiping materials firm, Zeidell took up bowling 25 years ago. "I have an average of 178 now," he says, "but my average has been as high as 194."

What's a perfect score? 300. Which is somewhat like a hole in one to a golfer.

"But that's not what means most to me. I've never been a drinker or a guy who horses around," Zeidell says. "So bowling was my outlet. It meant a chance to get away from business concerns and problems, to go out and relax, and to enjoy the camaraderie of fellow bowlers."

Zeidell has a lot of company.

Some 64 million Americans bowl, the Bowling Proprietors' Association of America, Inc., says. Most of them bowl tenpins, but the smaller duckpins are popular, too, along the East Coast. Nearly 10 million keglers bowl regularly in organized leagues.

The three big tenpin associations are the men's American Bowling Congress (4,700,000), the Women's International Bowling Congress (4,225,000), and the American Junior Bowling Congress (850,000). The National Duckpin Bowling Congress' membership is 275,000.

"Bowling is the nation's largest participation sport," the American Bowling Congress says.

Bowling is not uniquely American, but tenpin bowling is a homegrown product. The sport dates back to ancient Egypt. Objects for playing a game resembling bowling were found in a 5200 B.C. tomb, according to Patrick J. McDonough, author of *The Official Bowling Guide*.

Who designed the first bowling alley? Would you believe the ancient Polynesians had an influence? They rolled stones at objects 60 feet away. It just so happens that the distance between the foul line to the pins on a modern bowling alley is 60 feet.

The first bowling centers appeared in Germany and Holland in the 15th century. Bowlers then aimed at nine pins. Still do in Germany, but the tenpin variety is almost universal now. The Dutch settlers to the New World brought

PHOTO: ROTHWELL—FREELANCE PHOTOGRAPHERS GUILD

nine pin bowling to our shores in the 17th century. By the 19th century a number of states outlawed nine pin bowling as a form of gambling. To circumvent the law, bowlers came up with a simple solution—they added a pin and the tenpin game we know today was created.

Bowlers spend a bundle on their hobby. Last year, says the National Sporting Goods Association, they bought 2.2 million bowling balls ($67.9 million), nearly two million pairs of bowling shoes ($32.6 million), and about the same number of bowling bags ($27 million). Total: $127.5 million for that type of equipment.

That's peanuts compared to what they spend to play.

"There are 140,000 bowling lanes in the United States," says Keith L. Satter of the National Bowling Council. "We figure 32 games a day are rolled on every lane at an average cost of $1 a game per bowler. Multiply that by 365 days a year and you come up with $1.6 billion. And there's plenty spent on snacks, cigarettes, pinball machines—and beer frames."

Traditionally, the unlucky cuss who knocks down the fewest pins in the fifth frame buys the drinks for his or her fellow bowlers.

UNLIKE ZEIDELL, Mary Judith "Judy" Lee, 41, was always athletic. "All the Lees were," she says. "My family owns the Dragon Pearl restaurant in Los Angeles. I worked there when I was a teenager, along with my brothers and sisters.

"The restaurant closed at 10, but it was 11 or 12 before we finished cleaning up. What do you do at that time of night? We had two choices—an all-night movie or bowling. The alleys were open 24 hours a day. We weren't the kind of kids who liked to spend that time sitting in a movie theater. So we used to go bowling."

Lee is head of Judy Lee Associates, a Los Angeles data processing consulting firm, and a member of the Women's International Bowling Congress. She was WIBC's National Queen's Champion in 1966. Her average is still a high 185. What does she like most about the sport of bowling?

"I enjoy competing."

With Judy Lee's average, Jeff Ferrand, 39, would be a world beater.

He bowls duckpins. Last year his average "was 150, within a couple of pins either way." The nation's top male duckpin bowler's average was 154.503.

Why duckpins?

Apparently a case of the way the twig was bent. Jeff grew up in duckpin territory, Salisbury, Md. He was practically teethed on a duckpin ball. "When I got started," he says, "there was no way in the world I could have handled a heavy ball.

"On Saturdays, while my mother did the shopping, my father and I used to wait for her in a Salisbury recreation center, a duckpin bowling alley. Almost as soon as I could walk, a couple of old-timers had me try my hand at the game. I could just barely waddle up to the foul line, hanging on to the ball with both hands."

But Ferrand, owner of Eastwood Trophies, a trophy shop in Salisbury, has been out of triangular trousers for a long time.

Why does he still stick to duckpins? Well, he's on the board of the National Duckpin Bowling Congress and he loves the game. "I don't want to see it die," he says.

He does his best to keep it alive by bowling in eight leagues. He's at the lanes every night except Saturday and bowls twice a night on Tuesdays and Thursdays.

How does he manage to get out of the house that much? "No problem," he says. "I'm single."

## They Don't Look Like Ducks . . .

So why are the small pins called duckpins? Go back to the spring of 1900 in Baltimore at the Diamond alleys, owned by two Oriole baseball players, Wilbert Robinson and John J. McGraw, later manager of the New York Giants. Both are now in baseball's Hall of Fame.

Tenpins was then a winter sport. In the summer, bowlers played long-forgotten games such as five back and cocked hat with a pint-size ball.

On a suggestion, the alley manager had a set of scaled-down tenpins made for the smaller balls. Duckhunters Robinson and McGraw remarked that the pins looked like a "flock of flying ducks" when hit by a ball.

Sportswriter Bill Clarke of the *Morning Sun*, writing about the new form of bowling, referred to the little targets as duckpins. The name stuck.

Toddlers are a little young for tenpins. However, you don't have to be Superman or the Bionic Woman to enjoy the sport.

Take Bernice "Bernie" Naraus, 60, owner of Artistic Ceramic Shops, Inc., in Milwaukee, Wis. She has been bowling for almost 40 years.

"I started out," Bernie says, "with a 16-pound ball. Now I'm down to a 14 pounder. But I bowl two nights a week, and my average is still about 170."

THAT'S DOWN from the 192 average she carried in her heyday, when she and four good friends made up the Ned Day Bowl women's team. They traveled the tournament circuit for about 15 years.

"Our first national tournament," she says, "was in California in 1941, when we were in our 20s.

"They start 'em out young in Milwaukee," she adds with a laugh, "and we bowl until we fall out of our shoes. They manufacture bowling balls in so many different weights that even little grandmas can bowl. You can get bowling balls that weigh as little as eight, nine or ten pounds.

"We have a lot of senior leagues in our area. There's a bowling alley near my shop where a 90-year-old woman bowls every week." Will Bernie be bowling at 90? "I certainly hope so," she says.

So does Jim Lusk.

"I never aspired to be the world's greatest bowler," says James T. "Jim" Lusk, 53, proprietor of Lusk Monument Company, Jamestown, N.D. "I got something better—friendship."

Lusk is a member of the board of the American Bowling Congress and runs the state bowling tournament. "As a result I know most of the bowlers in the state," he says.

He started bowling while in high school. From about 1950 on, Jim Lusk was a member of the Gun and Reel bowling team in Jamestown.

"Our team was very close," he says, "and not just on the bowling lanes. We were good friends socially, and our wives were good friends. We had a tournament team and traveled quite a bit together."

In 1963, Gun and Reel won the North Dakota state tenpin championship. About six years ago, however, the championship team folded. What broke up that old gang of his—wedding bells, jealousies, a falling out?

"Never," he says. "We were just getting older. Actually, what broke it up was bad backs." □

# Only One Solution

THE LONG UPWARD trend in strikes by public employes—from 15 in 1958 to 545 last year—is graphic evidence that the country has not learned how to cope with this problem, and will be forced to eventually.

None of the options seem very attractive:

—Let public employes strike and assume they'll be reasonable? History teaches that unchecked power is always abused.

—Require arbitration for unresolved disputes? That may buy some peace, but at best, it simply transfers coercive power from an unelected union to an unelected arbitrator. At worst, the union may strike anyway, if it feels it cannot live with the arbitrator's decision.

—Try to be fair with public employes, but firmly and consistently enforce laws barring strikes? This course of action requires public officials and citizens to endure much inconvenience for the sake of upholding a principle.

Public employe unions are quite open about their intention to violate antistrike laws until society tires of trying to enforce them. "The law is only what the political leaders of the time determine it to be," says W. Howard McClennan, president of the AFL-CIO Public Employe Department. And, he adds: "When the state refuses to prosecute citizens practicing civil disobedience, it in effect legitimizes the disobedience."

Similar legitimization results from the practice of granting amnesty to those who wage an illegal strike, as part of the strike settlement. Union leaders are practical people. If public employes break the law, gain extra pay and benefits, and suffer no penalty, they will draw the obvious conclusion.

Unions argue that people cannot be deprived of their "basic human right" to "withhold their services" and that public employes are no different from those in the private sector.

Their arguments are seductive, but specious. First, a certain loss of liberty occurs in most forms of employment, public or private. Forgoing strike privileges is simply one more condition of employment which the public employe knows, or should know, before voluntarily accepting a government job.

Second, as the sole provider of many essential services affecting safety and health, government is hardly the same as a private employer. A strike against a government is a strike against all the people served by that government. When a minority, such as the firefighters, attempt to impose their will on the majority by preventing non-striking firefighters from doing their job, for example, or when corrections employes suddenly walk off the job leaving hundreds of convicts inadequately guarded, democracy itself is under attack.

There is only one solution: The laws barring public sector strikes must be enforced.

# The Stronger Voice

THE PAID CIRCULATION of NATION'S BUSINESS has soared from 952,000 to 1,300,000 in five years. That gain is unmatched by any other business magazine.

Our publisher, the U.S. Chamber of Commerce, advises, however, that we aren't the only growth segment of the organization. The Chamber membership has zoomed from 53,000 to 100,000 in those same five years.

Many of those new members started out as subscribers to NATION'S BUSINESS. One of our purposes is to increase the awareness of our readers in the hope they will become more active in the nation's affairs. These new members are indicative of a more active business community. So we will continue our editorial policy of objective reporting and analysis of the events and issues that affect business. The Chamber's growth and this approach will further strengthen the voice of business.


WALL